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SOCIAL STRUGGLES.

THE

FUNDAMENTAL FACTS AND PRINCIPLES

RELATIVE TO

VALUES, PRICES, MONEY AND INTEREST; NATIONAL BANKS, FRANCHISES,

THE SILVER QUESTION,

SOCIALISM, CAPITAL AND LABOR, AND BUSINESS DERANGEMENT.

BY

JOHN PHILIP PHILLIPS.

Whatever cannot bear investigation has no right to exist.

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DEDICATION.

TO THE
MEN WHOSE STEADFAST VALOR HAS BEEN OUR NATIONAL RELIANCE
IN TIMES OF WAR, AND WHOSE PATIENT INDUSTRY HAS EVER
BEEN OUR SUPPORT; TO THOSE WHOSE BUSINESS AND
DAILY BREAD ARE VITALLY AFFECTED BY FLUCTUA-
TIONS IN PRICES, WAGES AND INTEREST;
TO THE FARMERS, MECHANICS AND OTHER
HONEST CREATORS OF WEALTH, THIS
WORK IS RESPECTFULLY DEDICATED.

PREFACE.

A WIDELY spread feeling of dissatisfaction with the present organization of society exists in every civilized nation. In some countries this discontent has assumed the form of secret organizations, one of the objects of which is to destroy the lives of kings and other representatives of the present social system. Europe, in time of peace, is covered with vast standing armies, armed with the most deadly weapons ingenuity has created, and trained to use those arms with special reference to the destruction of human life. The ostensible necessity of these armies is to protect one nation from the aggressions of others. But another and a deeper intent lies behind those armed millions. That partially veiled purpose is to prevent the masses of the population from rebelling against their own governments and destroying the existing social fabric. The net result of what is called the "highest civilization" is the virtual admission that it is so hateful to the majority living under it, that huge armies of blood-hounds must be kept to compel submission. Many European thinkers believe that continent drifting into a terrible revolution.

Within a century this country has increased in population about sixteenfold. The increase in wealth, however, has been still greater. But it is a startling fact that every year the inequality between the amount of this vast wealth possessed by each individual grows wider and wider. We formerly supposed that our laws and institutions produced both political and social equality, and that the class distinctions and consequent bitter hatreds and jealousies of European society could not here flourish. But to-day, the smothered discontent, which in some countries makes the dominant classes feel as if a volcano were seething beneath

them, has obtained a firm lodgment in this country. Many of the conditions which exist in Europe are rapidly being developed here.

Only fifteen years ago it was generally believed that dissatisfaction with our institutions was a transient feeling entertained by comparatively few persons. Resumption of specie payments was supposed an effectual panacea for such social disorder. At the enormous cost of much unemployed labor and industrial disorganization for several years, this remedy has been applied. But instead of being cured thereby, the inequality of wealth has grown greater, and the mutterings of discontent have grown louder and deeper. These mutterings are not yet formulated into a definite creed and purpose, but they have forced a recognition of their growth as a menace to public harmony and welfare in the future. Great numbers of people have one feeling in common. Without assigning a reason therefor, they instinctively feel that "something is wrong" in the present condition of affairs. They are not yet angry, but are annoyed by a vague sense of being the victims of some injustice and wrong, the exact source and nature of which perplexes them. At present this state of mind is chiefly expressed by trades unions and labor organizations of various kinds. To a considerable extent these bodies have imagined that those with whom they came in immediate contact were the chief cause of their troubles. Not understanding the facts and principles involved in their situation, they have failed to see that laws and third parties, with whom they were not in direct contact, were the real source of difficulties and wrongs from which employers often suffered as much as themselves. Consequently, redress of grievances has been sought in warring against their employers by organized strikes. These have inflicted great losses on society, and generally have left the workmen in worse condition than before. Such misdirected and often pitiful efforts can only be prevented by a wider diffusion of information in regard to the principles which govern prices and wages.

In a free country, dissent from laws and conditions inevitably assumes. sooner or later, the form of political action. People with common interests naturally have thoughts in common, and whenever these sentiments are shared by a considerable number of persons, and become crystallized into a common desire for a definite change of policy or law, political action will follow. Either a new party will arise, or one of those existing will be dominated by new ideas. Thus far, there has not been sufficient unity of purpose among the dissatisfied multitude to organize and muster a large number of voters. But organization and leaders under some name will appear whenever those now uneasy, but doubtful what they want, become converted by further thought and events into persons with a settled purpose.

A revolt against permanently following the road we are now traveling will certainly occur. It is therefore important that every one should clearly understand that every evil, every wrong, and every error in our institutions, and every defect in their practical workings, can be cured by a peaceful revolution at the ballot-boxes. Such knowledge will prevent the folly of seeking redress of grievances by violent methods.

The first element in the successful treatment of a sick man is a careful study of his disease. When what is at fault is known, the effect of different remedies on those wrong conditions must be considered before an appropriate prescription can be made. Both the facts and the principles relative to the case must be weighed; else the patient is in more danger from his doctor than from the malady.

In like manner, when anything is at fault with the body politic, unless we first carefully study the matter, we may use remedies which will aggravate the trouble. Both the facts and the related principles must be considered before intelligent political action can be taken.

Those who desire changes in our social policy are mostly farmers, mechanics, and laborers. Examination shows that this fact is the direct or indirect result of considerable leg-

islation adverse to the interests of those classes. These persons are entitled to vote, and their numbers are so great that the control of law-making would at once be in their hands if they voted unitedly to protect their own interests. The chief obstacle to such a course has lain in the fact that the majority of the laboring classes have not studied true political economy. Consequently they have lacked clear convictions in regard to the effects of proposed legislation; and, in this uncertain frame of mind, have been divided and misled by false and hypocritical cries into the support of measures intended for their own injury, and the benefit of persons, small in numbers, but very cunning and unscrupulous.

That the present condition of things will remain undisturbed is impossible. The laboring classes are slowly but steadily growing more conscious both of their political power and of the existence of defects and wrongs in our institutions and laws. Consequently greater political combinations and efforts to improve their own condition may be expected from those persons in the future. How much of this political action will be judicious and well calculated to promote the best interests of the whole community, no one can foretell. But with absolute certainty we do know that whoever helps his countrymen to more easily obtain and fully understand a single fact or principle of political economy, thereby contributes his mite toward properly directing the future national thought and action. With the hope of making such a contribution, this book has been written. Its aim is to dissect and illustrate by examples and historical references some of the fundamental principles of political economy, and to state them so fully, and in such a plain and familiar manner, that any person of ordinary intelligence who has never before read a line on the subject can easily understand them.

That the doctrines herein set forth should conform to the teachings of the majority of writers on such topics has been deemed of no consequence whatever. But it is important that correct principles should be elucidated. Therefore

great pains and care have been taken to sift out common, but false, assumptions and theories, and to state nothing as truth which cannot be verified.

It will doubtless seem to some readers that apparently plain things are dwelt on with unnecessary and tiresome detail. Such persons should remember that an understanding of political economy can only be obtained by observing the same conduct we follow when learning any other subject or thing. A mechanic's apprentice who has fully learned to properly use half a dozen tools is well advanced in a knowledge of his trade. And in political economy, as in everything else, a knowledge of many complex things depends on first getting a clear comprehension of a few simple things. In arithmetic no progress can be made until the pupil has learned to add, subtract, divide, and multiply. When the alphabet of a subject is thoroughly learned, the hardest work is done. If the reader will patiently consider the full meaning of the few elementary facts and principles herein discussed, and pass none of them carelessly by as unimportant, he will soon discover that the "difficult and abstruse questions of political economy" which are constantly talked of, are, in reality, easy and simple questions.

It must be borne in mind, that whoever wishes to learn something about any subject whatsoever, must not begin his studies with the assumption that he is the incarnation of wisdom and already knows all about it. "Seest thou a man wise in his own conceit? there is more hope of a fool than of him."

Those who have a special desire to examine the silver question may think too much space is devoted to elementary principles before reaching and discussing it. But it should be borne in mind that the topic of silver is only a fragment of the subject of money in general, and can only be properly understood in connection therewith.

And the subject of money can only be clearly comprehended by those who realize the great practical importance of such knowledge in the every day affairs of business and therefore are willing to *slowly read* and *carefully consider*

the facts and principles upon which the use of money rests.

In an editorial note, the *Century* Magazine for September, 1885, gives expression to the popular wonder that a country with such an industrious population and such vast and varied natural resources as the United States possess, should not have uninterrupted prosperity, and then says:

> "What a strange spectacle this country presents at this very hour! Money is plenty—fifty or sixty millions on deposit in the banks of New York City alone! Food is plenty; the granaries at the West are full of old wheat, and though the wheat crop of the present year does not promise well, the corn crop is likely to be larger then ever before; there is no fear of scarcity. Manufactured goods are plenty; the store-houses of the manufacturers and the shelves of the merchants are crowded with them. Labor is plenty; five hundred thousand idle men are asking for work. Yet in the midst of this abundance a great industrial and commercial depression has overtaken us. At the time of writing this, workmen are selling their labor at the lowest prices, and many are unable to sell it at any price; merchants and manufacturers find a dull market for their wares; the railroads report losses instead of gains; failures multiply.
>
> "The situation is not only pitiful, it is absurd. What is the explanation of it? Who is responsible for it?"

True elementary principles furnish a complete answer to the foregoing questions. Either through ignorance, or selfishness, the fundamental principles of political economy have generally been misapprehended and wrongly stated. Hence, many honest inquirers have been perplexed by problems of comparatively easy solution. This difficulty has not arisen from defective reasoning, but by starting from false standpoints.

Contentment among all classes of good citizens and steady industry and economy are the prime requisites of a permanent national prosperity. Nothing promotes that condition and fosters those virtues more than a public policy of fair dealing with all persons. Nothing is so safe and profitable as simple Justice. In a country governed by the majority of voters, the best safeguard of the rights and inter-

ests of each individual is his clear knowledge of the effect of legislation upon them.

These pages are therefore presented with the earnest wish that they may shed some light on the great problems of the immediate future, viz.: What measures does impartial justice require shall be adopted to protect and preserve the equal rights and proper relations of creditor and debtor, of capital and labor? What political action will best prevent the strong, the cunning, and the rich from insidiously oppressing and robbing the weak, the simple, and the poor? How shall we displace that fruitful source of evils—a currency whose purchasing power is subject to frequent and great changes—by money convenient to use and of more uniform value than any we have heretofore employed?

SOCIAL STRUGGLES.

INTRODUCTORY CHAPTER.

Natural Laws are not only Invariable but they apply Impartially to all things.—Common error of mistaking the Results of bad Statutory Laws for unavoidable Results of Natural Laws.—What Political Economy is.—A Mistaken Belief.—How Economic Laws should be Considered.—Mankind are Governed by many Emotions and Thoughts.—Common mode of writing Economic works.—Political Economy is an Imperfect Science.—A Confession.—Ignorance is the Mother of Credulity.—Why Mankind make such slow Progress.—Original Thought is not Common.—Mankind prefer Old to New Things.—Evils Perpetuate Themselves.—Need of Elementary Study.—Terrible Fruits of False Premises.

Nothing is permanently settled until correct principles are adopted. Public policy will be fixed when based on absolute truth. There may be a lull in the agitation of social topics, but, if so, sooner or later it will inevitably re-appear with increased volume and force. Eddies exist in human thought and human progress, but, nevertheless, they form a steady and continuous stream.

This is not a world of chance, but a world of law. It is not a world of accident, but a world of cause and effect. It is therefore folly to imagine that existing conditions have come upon us in a mysterious, miraculous way. Whenever a result is produced, we should feel certain that its parent, a cause, can be found, if we will but diligently search for it.

If we lift a stone from the ground and let go of it, the same thing always happens. It does not move upward or sideways; it always falls directly toward the earth's center. This we call the law of gravitation. By the term "law"

we mean the course and conduct invariably observed and followed by all things placed under the same circumstances. Therefore, when we speak of the "law" relative to a given thing, we mean the mode of action and the result which always take place and follow the existence of a certain combination of facts.

WHAT POLITICAL ECONOMY IS.

Political economy may be defined as a statement of the course which human affairs will probably take under given conditions. In other words, it describes how men will think and act under certain circumstances. It is a description of some of the laws which regulate human conduct. The wealth of a squirrel consists of his house and his store of food. These satisfy his wants and make him rich. Whoever should write an accurate description of the conduct of this interesting little fellow in getting and using his riches, would write the political economy of a squirrel. A description of man's conduct when in quest of riches, when using riches already acquired, and the results flowing from his various modes of trying to accomplish these purposes constitute the political economy of man. The wants of man are rarely satisfied. Therefore he is seldom as rich as a squirrel. But he is continually occupied either in trying to get wealth, or in using it. In doing these acts his conduct resembles that of a squirrel; that is, he usually follows a certain course of action in order to obtain a certain thing, or produce a certain result. These actions and their results have a tendency to assume uniform and definite shape and character. They are the reflections of human thought from the mirror of varying circumstances and conditions. Want of discernment may, and often does, prevent its full recognition; but the shadow must always be a correct image of the substance. These are called the laws of political economy.

A MISTAKEN BELIEF.

It is a prevalent belief that the laws of political economy are so abstruse and mysterious that a life-time of prodigious study is required to understand them. Especially is it supposed that there is something peculiarly difficult about Finance, that special and supernatural laws preside over money, and that it is impossible for an average man to comprehend the subject. The common-sense principles which we every day apply to the solution of all other problems are presumed to be inapplicable to political economy. This belief has been put in circulation and fostered by those whose selfish interests would be advanced by the impression that only a few persons can understand political economy, and that they constituted those few. We shall hereafter show the gross nature of this imposition.

HOW ECONOMIC LAWS SHOULD BE CONSIDERED.

To state how a squirrel always gets and uses his wealth, would be a comparatively easy task. But man has a more complex mental organization; he has a greater number of wants and a greater variety of means to gratify them. Man has a multitude of desires besides getting and using wealth, and the attempt to gratify these desires makes his conduct in greater or less degree different from what it would be if his wants were as simple as those of a squirrel. The conduct of a man with the mind of a squirrel would always be what some men call "economic"; that is, it would be governed by a smaller number of laws than it now is. Man's conduct when in pursuit of wealth and the results of such conduct would be uniform. But in fact we cannot predict what the "economic" conduct of a man or a nation will be or what will result therefrom, under certain conditions, without estimating other dominant motives besides the desire to acquire wealth. We cannot study the anatomy of a man's muscles without examining his skeleton. We cannot understand the mechanism of his lungs or any other portion of the body without a reference to all other parts. The whole system must be considered. In

like manner when we study the conduct of the human race, we must take into account all the causes which produce and modify it.

Man is not a mere machine or automaton. He is a living animal moved and directed by a cabinet of counselors more numerous and changeable than ever advised any king or other potentate. They are human passions, human emotions and human thoughts. All human affairs are due to some form of human action. All human action is due to the action of the human mind.

Therefore any student of political economy must observe imperfectly, and argue from false premises, just so far as he ignores human nature. His conclusions must necessarily be correspondingly defective and false.

The great majority of writers on political economy have imagined and assumed an ideal type of human nature and of human conduct flowing from this assumed type. This ideal man is governed purely and entirely by selfishness and avarice,—his whole purpose in life is the acquisition of wealth. Actions in harmony with the supposed feelings of this imaginary man they have styled "economic conduct," and at the same time have conceded that mankind never act "economically." This is merely a mode of obscuring the subject. We care nothing about the conduct of a being who exists only in the imagination; but we are deeply interested in the actual conduct of the actual man.

MANKIND ARE GOVERNED BY MANY EMOTIONS AND THOUGHTS.

Selfishness is a dominant trait of the majority, but this has a hundred other objects besides wealth. Moreover, every man, no matter how selfish, has a greater or less streak of generosity in his nature. Every community has a minority of unselfish persons whose precepts and example exert a vast influence on the rest of society. Patriotism, religion, love of home and family, in short, every emotion of the human heart, has more or less influence on the conduct of each individual unit of society. The

social tendencies and movements of a nation are a resultant of the combined and conflicting ideas of each and every individual member of that nation. Consequently, we cannot estimate the result of a given measure without taking into account all the forces with which it will be brought in contact. Every cause which materially tends to influence, modify, or direct human thought and human action in any respect is directly or indirectly a factor in the problems of political economy. Men arrive at different conclusions, largely because they begin to reason with a different bias.

COMMON MODE OF WRITING ECONOMIC WORKS.

The value of the majority of works on political economy is impaired by the fact that their authors have not, as they should, made the discovery of truth the sole object of their investigations. They have attempted to explain social tendencies and conduct in such a way as to defend the existing social and political institutions of their country. As most of these writers have been, and are, subjects of monarchical and aristocratic governments, and believers in them, much of what is called political economy is merely a special plea in favor of those governments and the conditions of society which they foster.

In the United States, ninth-tenths of those who are styled political economists are mere copyists and imitators of foreign books and their teachings. These persons regard European institutions as models to be admired and not criticised.

Theories which contain more romance than truth and common sense doubtless amuse and interest some persons; but they are of no use in studying the various problems of political economy.

We must ponder human nature as it is. We must grapple with the facts as they actually exist. We must severely scrutinize all books written for the purpose of vindicating or supporting an existing form of government or state of society. Above all, we must remember that the truth is never dangerous. We must not shrink from it even though

it seem in conflict with moss-grown and beloved institutions.

The majority of economic writers have made a curious error. They have looked around them and seen disorders which are the results of misgovernment, selfishness, and ignorance;—evils which exist because the best of us are largely in ignorance of the true principles of civil government and social science. But under the delusion that our social and political institutions are perfect, or nearly so, they mistake these phenomena for the inevitable results of human association under all possible circumstances. The symptoms of a diseased social condition have been mistaken for those which would appear in perfect political and social health.

POLITICAL ECONOMY IS AN IMPERFECT SCIENCE.

The pretense is virtually made that Political Economy has reached a point where it can be called a perfect science. A science is a methodical arrangement of facts and of principles deduced from those facts relating to a particular subject. A science is perfect in proportion to the extent that all the facts and principles relating thereto are fully and accurately known. The sciences of law and medicine have been studied and written upon for thousands of years by the ablest men of every generation. They are constantly advancing but are still full of imperfections, and instead of claiming that they are perfect, the most eminent lawyers and physicians are foremost in pointing out, and in attempting to remedy, the defects of those sciences. But political economy is not an ancient study. The first systematic book on that subject was published by Adam Smith, in 1776. The next most important work was written by David Ricardo, in 1817. Political economy embraces a wide range of facts and principles. It deals largely with that most complex of all things, human nature, and its manifestations and tendencies under certain conditions. It is not only a comparatively new science, but its study has hitherto engaged the attention of a relatively small num-

ber of competent persons. Its few students differ widely in some of their conclusions, and many of its principles are in controversy. Therefore the air of perfect knowledge assumed by a few "Professors" who have thrust themselves before the public as infallible authorities on this subject is ridiculous.* The great majority believe that the subject of national finance is entirely different from other business matters, and governed by obscure and complex laws peculiar to itself. This error has been created and fostered chiefly by school-masters and bankers, who find a profit in such a public belief. In a variety of ways every one of those persons is frequently saying in substance :

"The masses of the people can never understand the currency question, because its literature is so extensive and profound that years of careful study are required for its comprehension. But only look at me : I am a very learned man. I have studied this matter for many years and understand all its deep mysteries. Now, as it is impossible for you to grasp the profound and peculiar principles which underlie the financial question, I will tell you what to believe. If not so instructed, I am afraid you will take some political action which will injure yourselves."

By a singular coincidence these benevolent pieces of wisdom invariably direct the people to adopt the line of policy which favors their author's personal interest. Most of those who write financial articles pretend to be possessors of a vast amount of undivulged learning. They do not say : "I am stating the principles of finance as far as I understand them." They continually talk about stating the

* A considerable proportion of so-called "economists" are clergymen, who have quit preaching the sublime unselfishness of the Nazarene, and engaged in the business of proclaiming doctrines pleasanter to rich and privileged listeners. To this more congenial task they have mostly brought mental peculiarities which place them in affiliation with the majority of other "economists"; viz., greater love of dogmas than of truth, and the inveterate habit of assuming statements true, without examination or evidence, and then basing arguments upon them as if the premises of the reasoning had been established.

elementary principles of finance and refer to the "conclusions arrived at by those who have fully explored the subject."

The insinuation is constantly made that what is stated is merely a fragment of great learning, and that every assertion contained therein is sustained by a mass of knowledge unknown to the public.

A CONFESSION.

As a full confession is said to be good for one's soul, I admit once supposing the above-named and kindred statements to be true. What was stated seemed so contrary to common sense that I failed to understand how it could be true, but supposed this arose from ignorance of undisclosed facts and principles. Impelled by a curiosity to know just what the hidden depths alluded to were, I carefully examined the writings of those called masters of this occult science, and found that an old artifice had been repeated. In all ages of the world, jugglers, priests and necromancers of various kinds have attempted, and generally successfully, to magnify their own importance and accomplish their purposes by raising a smoke and affecting a special knowledge of some wonderful mystery. To this old trick I found myself the victim.

Since that time, whenever I see a man styling himself a "scientific financier" and telling his hearers or readers to defer to his wonderful attainments, I smile at the memory of my own deception and say to myself: This person has put on his paint and feathers and is practicing the tactics of an Indian Medicine Man. Exteriorly he is a "scientist"; remove his outer garments, dig a little into his pretensions, and a charlatan is exposed to view. Directly or indirectly, he is getting pay for practicing an imposition on the public. The mysteries he pretends to possess a knowledge of do not exist.

IGNORANCE IS THE MOTHER OF CREDULITY.

We are born credulous. We naturally believe whatever is told us until knowledge and experience teach us better. We start in life believing in the truthfulness of all. If we live to mature age, we are convinced that the world is full of liars. Ignorance and credulity are born every day. Knowledge and experience are daily dying. Thus a new crop of victims for imposters continually comes forward.

Each individual's life is a miniature picture more or less perfect of the passage of the world from ignorance and superstition toward knowledge and free enlightened thought.

Just in proportion to their ignorance, mankind are filled with the idea that many things possess supernatural qualities, and that unusual events are produced by a miraculous force. As they become enlightened they cease to believe in ghosts, hobgoblins and witchcraft ; they gradually see the folly of supposing that the Creator made his works so imperfectly that he finds it necessary to exercise a fitful and irregular supervision over them ; and finally they recognize the simplicity of events. Nature grants no charters, and enacts no special or private laws. None of her decrees can be evaded. She is utterly relentless toward all who attempt to defy her mandates, and has no Court of Pardons where special interposition can be hoped for. Her laws are so general that they apply with rigid and impartial severity to every subject and thing on earth, and so far as we know, to all the planets in the heavens. Strictly speaking, it is impossible to break a natural law. We can easily get broken ourselves in trying it, but the law remains unchanged.

Until a comparatively recent time astronomers supposed that an elaborate mechanism held the heavenly bodies in place and produced their movements ; but they could never conceive of anything complex enough to explain all the facts, and their theories melted away when a few men thought for themselves,—saw the folly of generation after generation who had blindly trod in each other's footsteps, and showed that

thousands of circling worlds were maintained by the simple, all-pervading law of gravitation.

The physician of the tenth century saw one or more special demons in nearly every patient. He imagined that the majority of diseases, especially all malignant ones, were the result of the machinations of witches or other evil minded and strange spirits. Therefore he concluded that equally peculiar and mysterious remedies were needed for each distinct malady. A bold pretense of the possession of occult art was the special thing which commended him to an ignorant and credulous people. The more profound his ignorance, the greater thc confidence reposed in him.

Medical science has developed by slow and painful steps. Both physicians and patients have fondly clung to methods which now seem almost incredible. But each century has witnessed the reluctant flight, never to return, of some preposterous error or some peculiar demon. Especially during the last century has a growing, positive knowledge supplanted the hidden and strange by the known and familiar. When examining a patient the physician now sees universal laws at work ; instead of a particular devil he now discerns what disordered functions the remedial forces of nature are trying to restore to their normal condition. He no longer attempts to work a special and miraculous cure, but guided by fixed general principles he seeks to assist the natural forces.

Comparative anatomy and physiology have shown that the Great Architect did not make a special design when he created man. He merely added a few lines to the working drawings whereby the fish, the bird, and the beast were wrought out and given the functions and faculties which maintain their existence. One general plan and idea appears to run through all forms of life from the lowest to the highest. One general system of simple laws governs all their physiological functions, and all their diseases have characteristics in common.

Every partially successful attempt to draw aside the curtain which hides nature's secrets has always surprised us in

the same direction; viz., wonder at finding an unlooked-for simplicity. The discovery that light, heat, motion, and electricity are all different forms and manifestations of the same force warrants us in supposing that the future has greater surprises in store for us, and all of them revelations of the general and simple character of nature's laws.

Facts and illustrations showing that nature's laws are general, and that we believe in the special and miraculous in proportion to our ignorance, could be cited and employed indefinitely.

The foregoing considerations explain why such a multitude of persons have been led to believe that money possesses supernatural qualities. Such beliefs vanish whenever a moderate amount of careful study is bestowed on finance.

THE PLAIN TRUTH.

The fact is that a man can understand the money question without being possessed of superior ability, and without devoting years to its study. To many persons the most difficult thing is to get rid of previously acquired superstitions and errors. There is nothing obscure or difficult about it and there are no mysterious laws which specially preside over money. The value of money is regulated by precisely the same laws that regulate the value of steel, coal, wheat and every other article bought and sold in the markets. In considering money we should use the same business principles and common sense that we apply when we form a judgment about any other subject or thing. History shows clearly that the numerous errors and whimsical notions into which individuals and nations have fallen in regard to money have been chiefly caused by assuming that money was controlled by such extraordinary laws that plain common sense and judgment were of no use in forming an opinion about it.

WHY MANKIND MAKE SUCH SLOW PROGRESS.

There is nothing peculiarly difficult about the study of social questions. But the same lion in the way that has

always retarded human progress in every direction of thought and effort, stands grimly in the path leading to correct ideas and information about economic subjects.

This terrible beast is the difficulty we all have, more or less, in changing the beliefs acquired in infancy. Early impressions and prejudices are most lasting. Children are naturally credulous. But although credulity is a normal trait of children, it forms in adults a defect of character which in every age has wrought most mischievous and disastrous results.

Each generation is the child of its ancestors and the parent of the next generation. The father teaches the son and the son soon becomes a father and a teacher. Errors are thus handed down from age to age without ever being examined by their believers. Whoever investigates them and exposes their falsity is called a disturber of the public peace.

A great majority of the community frequently declare themselves "shocked" at what they hear or read. One man is shocked by a proposition to pass a new law or to repeal an old one. Another is shocked at some radical political idea and another is shocked at some new doctrine in regard to the temperance question, or the proper mode of treating criminals. One person is shocked at what gives pleasure to another, and the man who is delighted with one "shocking" sentiment is often shocked himself by some idea not half so radical and startling as the one that pleased him.

A society of eminently respectable and well-disposed people may for a long time hear preached some ancient but false religious doctrine whose tendency is to degrade and debase the mind and character of all who believe it. They are not shocked to hear this pernicious doctrine repeated week after week. But some day they hear a man who believes it his duty to publicly pronounce the old faith a libel on the Deity and a poisonous, stifling cloud on the mind of every person who entertains it.

Forthwith a hum is heard, like that of a swarm of angry

bees. The hearers are fearfully "shocked" and the query is: What shocked them?

They were not shocked because a groveling superstition had been believed. The fact that a certain doctrine was spoken ill of was the apparent, but not the real, cause of their disquietude.

They were shocked simply because their habitual train of thought was disturbed, and because they were forced to suddenly consider a new idea. The average man can be "shocked" at any time by suddenly thrusting a new idea at him, and it makes but little difference to what subject the new idea relates, provided an implicit belief therein appears to him important.

ORIGINAL THOUGHT IS NOT COMMON.

Independent thought is so painful to the majority of mankind that comparatively few persons have original thoughts or ideas. They believe what they have been taught when children, and what their associates regard as truth. When an idea is once in their heads they adhere to it with the utmost tenacity, not so much because they love the old idea as because they dislike to consider a new idea,—they hate to think. It is a disagreeable process for them to investigate a subject—to find that their old belief was wrong, and to be forced to accept a new one. It is difficult for them to abstractly ask the simple question, whether the old or the new idea be the truth? They have a shrinking fear of such a question. The old idea is associated in their minds with existing laws, institutions and customs, and they feel a sense of safety in having it remain undisturbed.

Even if convinced that the new idea is true, they dread the consequences of its diffusion, and have a vague horror of its effect upon themselves or upon society. In fact, more confidence is felt in existing beliefs and institutions which they are convinced are wrong, than in an abstract idea which they are satisfied is right.

No one can read the history of his kind without being

amazed at the almost incredible stupidity which has characterized every age and nation. We wonder why certain acts were done, when a better course would have been so much easier, and all explanations are futile until we remember that by-gone generations had precisely the same proclivities and were as cowardly as the men now living; they trod in the footsteps of their ancestors; they did not imagine they could be radically mistaken, that much remained to be learned, and above all, they abhorred the labor of thinking.

The human race has progressed so slowly because nearly every one has been educated to consider *true* whatever opinion was held by the great majority, and to reject as *false* whatever ideas were advanced by a small minority.

In all social and political problems the aversion of the great majority to new ideas is a potent factor. Without recognizing it we cannot rightly estimate how far the effect of laws of comparatively recent enactment has been modified by pre-existing prejudices; neither can an opinion of any value be formed concerning the probable influence which any proposed change in law or custom would exert within a few years' time.

MANKIND PREFER OLD TO NEW THINGS.

Whoever imagines that even the most intelligent community stands ready to immediately accept and profit by a new and more truthful idea, a wiser law, or a better custom, and hazards his personal welfare on such a supposition, will find himself wofully mistaken.

The inertia of mankind keeps trade in accustomed channels long after better and cheaper goods can be obtained from a new source. Trade-marks become valuable after long use, largely because people have acquired the habit of using goods with a particular brand, and dislike to change. An old college, or school of any kind, will have more pupils than an equally good new one. People employ the old doctor long after a younger and better one has moved into the adjoining house. The old tool is not at

once superseded by the improved one. A newly invented machine must have extraordinary merit to insure its speedy adoption. A kind of money with which a community has long been familiar will be received in preference to a more convenient but new form of currency. Old customs and old modes of conducting the various affairs of life are followed long after the superiority of new ones has been demonstrated thousands of times.

The benefit which a community or nation would otherwise derive from a wise reform of any kind may be largely nullified for a long period by an inveterate prejudice against it. In considering whether an innovation is advisable at a certain time, it is well to inquire how far it will meet the approval of society. Food must be digested before it nourishes an animal; and laws and the majority of people governed by them must assimilate before any measure can be fairly and fully tested.

EVILS PERPETUATE THEMSELVES.

The poet tells us:

> "The evil that men do, lives after them."

This is a brief and poetic mode of stating the fact that the evils generated by bad legislation exist long after the repeal of their primary cause. The wounds and social diseases of society heal very slowly, from the fact that the characteristics of a people stunted and degraded by the long continued deprivation of liberty and opportunities of social and intellectual improvement, are transmitted to the next generation. If the ill effects of long carrying a heavy burden disappeared as soon as the grievous weight is removed, a nation steeped in stolid ignorance could at once be transformed and elevated by substituting good for evil laws. But under the most favorable practicable conditions it would require a long time to transmute the millions of Russian and Turkish peasants, for example, into such self-respecting, intelligent and thrifty freemen as the farmers of Central New York.

Marks of the grinding despotism to which the French peasantry were subjected prior to the French revolution still exist. The fact that for centuries the laborers of England have borne a cruel injustice accounts for much in their condition and character to-day. The discontent of Ireland is not simply the result of existing laws; back of them lie the results of five hundred years of oppression, with a swarm of bitter memories. The passions aroused by the conflict which occurred over a century ago between England and the United States have not yet subsided; the embers smolder, but are still warm and could easily be fanned into a fierce blaze. Many supposed that all the angry feelings attendant on the bloody war which raged in this country from 1861 to 1865 would speedily disappear after Appomattox. But our dissensions will not be healed until after every actor in that great drama is beneath the sod, and ugly scars will remain long afterward. The American people did not properly appreciate that the evils of slavery would remain long after every negro had been declared a freeman. And, at this day, it is not fully realized that the people of the Southern States must needs for a long time be under the influence of the same forces that create and guide public opinion in the Northern States before we can be as united, as a nation, as one of the States is united as a State. All social or political measures taken without reference to this must largely be failures.

NEED OF ELEMENTARY STUDY.

In concluding this chapter, the reader's attention is called to a simple matter of great importance. That is, the generally overlooked fact that it is utterly impossible to ever understand any subject, no matter how plain or simple it may be, without first becoming master of its elementary principles. We must learn the alphabet, else we can never read. We must learn to add, to subtract, to multiply and to divide before we can understand arithmetic.

Furthermore, we can never acquire a full knowledge of anything unless our ideas about its first principles are cor-

rect. Our premises must be right. If the first step be taken in the wrong direction, no matter how long we walk without turning we shall not reach the place where we wish to go. We must carefully sift the truth from the falsehood. Students of astronomy never reached the truth so long as they started with the premise that the sun moved round the earth.

At railroad centres several trains are often seen moving along in the same direction on the same track. Soon one train gradually diverges from its first course, makes a long graceful curve and moves westwardly. Another train keeps on due northerly; while a third train departs from its first direction by a broad sweep and goes easterly. These different movements are caused by an instrument called a switch. The deflection caused by it is so slight at first that the observer with his eyes fixed upon the train usually fails to note the precise point where the divergence began. If a train is once switched upon the wrong track no amount of speed or length of time will bring it to its destination. It can only be got to the proper place by taking it back to the switch and putting it on the right track.

What a switch is to a railroad train, elementary principles are to a student of any of the problems of political economy. Unless he start right, unless he have clear and correct fundamental ideas, no amount of time or study will enable him to understand those topics. Years of study will only add confusion to his mind and lead him farther from the truth. Of necessity, his opinion on any point is utterly worthless.

The same thing is true of the study of all other subjects. History presents many examples of generation after generation of diligent students and learned men, all pursuing the same study or profession without reaching the truth. In the outset of their studies they assumed that the primary principles taught by their predecessors were true, when in fact they were false.

TERRIBLE FRUITS OF FALSE PREMISES.

A large portion of history is occupied with the revolting story of bloody religious wars and cruel persecutions on account of religious belief. This appalling amount of wrong and suffering can all be traced to the false premise stated in one sentence, viz., "Free thought on religious topics is a crime." This premise, believed true, made the forcible attempts of men to suppress all religious opinions at variance with their own just as logical and inevitable a sequence as their efforts to repress theft were a logical result of a belief that theft was a crime. The faulty premise was the fountain from which a multitude of other errors flowed. The great historian, Lecky, has shown us how naturally religious persecutions began when said premise was believed true, and how impossible for them to exist whenever said premise was believed false.

For century after century medicine was studied from the standpoint of supposing that the arteries were filled with air. Thousands of similar examples could be cited, all showing that our ancestors often got on the wrong track, and never reached the desired point until they went back to the switch, sifted out the truth and started from correct premises. Mankind have rarely taken a forward step in the shortest, simplest and easiest manner. False premises have almost invariably led them to take the longest and most difficult route to reach a point which might have been attained by one easy step.

CHAPTER II.

What is Money?—Its Functions; very Important that all should Understand.—Prevalent Ideas about Money.—False Dogmas by the Million.—How the People came to be Misled.

By artifice and corruption, measures based on false principles may be imposed upon a misguided people. But success so procured can only be temporary. Sooner or later the truth will be discovered, wrongful legislation will be repealed, and its authors and abettors will be stigmatized as crafty charlatans, or, at least, as men ignorant of the subject upon which they presume to enact laws.

This is one of the most important practical questions in political economy, for its answer largely decides the national financial policy. This, many persons suppose, is a matter of little personal concern to them; but, in fact, the prosperity of every individual is either helped or hindered more or less by it. Persons of small means, and those who work for day wages, generally suffer relatively more from an erroneous policy than those in affluent circumstances. Therefore every primary fact and principle relating to money should be slowly and carefully dissected and understood before trying to take a step in advance of this A B C of financial knowledge.

PREVALENT IDEAS ABOUT MONEY.

In the first place let us try to get a clear view of the beliefs about money which are generally accepted as true. This will prepare the road, and the reader will then be better ready to take up the subject of money at its root and trace it upward. Perhaps this can be done most easily by reciting the history of some of the efforts which have recently been made in this country to define the term "Money," and by stating some of the results flowing from those efforts.

From 1865 to 1879 the statement was made and printed millions of times that greenbacks were not money, and that nothing was or could be money but coins made of gold or silver. Beginning with Bonamy Price, "scientific financiers" made speeches in all the principal cities, in which they asserted, with the assured air of persons confident of superior wisdom, that trade could not properly be carried on without money; that it was impossible to make money out of paper, and that therefore the only financial salvation of the country lay in burning the greenbacks and using gold and silver in their stead.

The question was triumphantly asked: "How can a man pay his debts without money?" Then the sad fate of a people unable to pay their debts, because, although rich, they had no money, was depicted and bemoaned, and the audience were pathetically exhorted to rid themselves of pieces of rags and get real money.

One eloquent "Professor" was taken from Massachusetts and carried from place to place throughout the Western States, in order that he might have a better chance to cry out to the farmers:—

"For many weary years you have been cheated and plundered. You have sold your produce and have received no money in payment—you have been swindled with worthless rags; rags with which values cannot be measured, and therefore you do not know how much value you get for your grain, nor how much you pay for what you buy in exchange. It is now time for you to sternly demand the money—the solid coin—before you part with your hard-earned products."

These so-called high authorities told us—

"that as the function of money was to measure value, it could not discharge its functions unless it possessed intrinsic value. As a bushel measure must have capacity in order to measure volume, and a yard-stick have length in order to measure length, so money must have value in order to be a measure of value. Value must be an inherent quality of money, just as sweetness is an inherent quality of sugar. Therefore nothing is money unless the raw material from which it is made is worth as much as the completed coin. The government stamp on a coin of gold or silver adds nothing to its value—it merely certifies its

weight and fineness ; i. e., the inscription states the amount of intrinsic value contained in it.

"Moreover, it is impossible for the stamp of the government on anything to add any value to it which it did not possess before. A law declaring any piece of paper, or even any coin of gold or silver, to be money, and stating its legal-tender value, does not add one particle of real value to it. Legal-tender money, therefore, has no actual value whatever, except the intrinsic value of the materials from which it is made. In case of paper currency, this intrinsic value is just what a paper manufacturer will pay for this spurious money to grind into pulp. Greenbacks, therefore, are only really worth what they will bring by the pound when sold as old rags.

"Wealth can only be created by the proper union of labor and capital. Wealth cannot be created by legislation. Paper currency is a mere creation of law and is not wealth. If all the paper currency of the country were burned up in a night, the prosperity of the country would not be affected in the least. No wealth would be destroyed by such a conflagration beyond the value of some paper rags.

"Laws can easily be enacted which will transfer wealth from one person to another person, or from one class of persons to another class of persons ; but no law ever did, or ever can, create one particle of wealth. If money and wealth could be created by law, then a government would never need to levy taxes—it could readily legislate itself into the possession of both those desirable things whenever they were needed.

"Paper currency has no utility, except to the extent that it is a convenient representative of real money. It should be convertible at par into coin at all times, on demand of its holder. Beyond compelling banks of issue to be constantly ready to redeem their paper currency in coin on presentation, a government has no legitimate right to have anything to do with banking. A government should therefore never issue paper currency."

I remember hearing one of these wise men lecture on "Money" and say :—

"The sight of gold produces a wonderful, mysterious impression on the human mind. When a man has anything for sale the sight of gold at once creates this sensation in his brain—it incites him to immediately place the lowest possible price on his goods in order to get possession of the coveted object, the glittering coin. Consequently the possessor of gold coins has in hand an accurate measure by means of which the real value of whatever he wishes to buy can at once be determined. But this curious effect is not produced by greenbacks, and this is one reason why greenbacks are not a correct measure of value.

"It is requisite that a pound weight should always weigh the same ; that

a bushel measure should always hold the same quantity; and that a yard-stick should always have the same length. In like manner, a measure of value should always possess the same value; otherwise it becomes a means of deception.

"Gold and silver, unlike other things, have a fixed, unvarying value; consequently gold and silver are the only things from which a fixed measure of value can be made. Hence we find that all civilized nations, in all ages, have used gold and silver as money. Coins of gold and silver are the money of the world. But it must be borne in mind that these coins are not capital. They are unvarying measures of value which can be exchanged for capital."

FALSE DOGMAS BY THE MILLION.

Editorials, speeches and pamphlets, setting forth, in a variety of forms, but all containing substantially the foregoing ideas, were printed in great numbers. The "fixed value" of gold and silver was a point dwelt on with special emphasis, and large numbers of pamphlets were written for the special purpose of setting forth the enormous advantages to be derived from using a "fixed measure of value": to wit, gold and silver coins. That gold and silver could fluctuate in value like other commodities was deemed a proposition so absurd as not to demand refutation.

The authors of these statements claimed to represent the most perfect scientific researches, and asserted that all who differed from them were profoundly ignorant, thoroughly dishonest; or a mixture of those undesirable qualities.

It is undoubtedly true that by far the greater portion of the financial legislation of the world originated from a belief in the truth of the aforesaid ideas. If they are correct, then the legislation based on them is correct, and we have substantially reached perfection in finance. It also follows that the startling inequality of wealth, the vast amount of pauperism, the great fluctuations in prices, the frequent panics and periods of business depression, accompanied by numerous bankruptcies, are all right too; they are bitter but wholesome medicines; they are an unavoidable incident of human affairs which it is folly to attempt to prevent.

HOW THE PEOPLE CAME TO BE MISLED.

The vast majority of the American people had never given serious thought to the subject of national finance, and were easily persuaded that it was a very intricate subject, and that the "scientists" had a monopoly of monetary information. Accordingly they proceeded to translate their beliefs into laws and actions. Taught that silver was a "fixed" measure of value, one of their earliest desires was to get rid of the evils and sufferings which they supposed were inflicted by fractional paper currency. Accordingly, at an expense of about fifty millions of dollars in the outset, and at a yearly cost of several millions more, the fractional currency was destroyed and fractional silver coins put in circulation with the confident expectation that a "fixed measure" had been substituted for a "fluctuating spurious money." But the anticipated benefits failed to appear, and many persons observed that trade was not conducted any more easily or accurately than with paper currency.

Since that time the "learned financiers" have radically changed their teachings. Instead of saying that gold and silver have a "fixed value," they now gravely inform us that gold has a "fixed" value and that "silver has become a metal which fluctuates in value."

This repudiation of a doctrine which has long been taught as confidently as a mathematical demonstration has puzzled many plain persons. They have said to themselves: "Silver is precisely the same metal and has exactly the same qualities that it had a thousand years ago. The natural laws of to-day are the same natural laws which have always presided over silver. What, then, is meant by the statement that silver has recently acquired qualities which it has never hitherto possessed? Why does gold stand still while silver moves? Why are times worse than before the prescriptions of financial doctors were taken?"

CHAPTER III.

Why we use Money.—What a Science is.—How to study Money.—What Capital is.—Distinction between Wealth and Capital.—No use for Money when no Wealth exists.—A Colony without Wealth.—Need of Tools.—Value of a Thing is Dependent on Circumstances.—The Value of Land.—Need of Capital.—How Commerce began.—Definition of Trade.—How Trade is often Carried on.—What Simple Barter is.—Advantages of Direct Barter.—Mechanism of Exchanging Things by Use of Money.—Who are Principals in a Trade.—Simple Barter is Still in Use.—How Barter tends to Produce Fair Bargains.—Bartering Labor.—Making "Bees."—Growth of Classes.—What a Snob is.—Barter often the Best Way to Trade.—Profits of Middlemen.—Barter could be Employed more than it is.—Best Test of Wages.—Facilities for Barter should be Increased.—Importance of Citizens being Acquainted.—Wealth of Cities.—Facts in regard to Middlemen.—Parallel Railroads.—Increase of Middlemen.

False premises always lead to false conclusions. No matter how able and ingenious a person may be, when he makes an extended statement in regard to any subject, he will inevitably contradict himself, if the premises from which he reasons are incorrect.

We have now, in substance, stated the doctrines of those who call themselves "scientific financiers" and are generally believed worthy such a title. But as all history and observation tell us that a man is not always what he calls himself, nor what the majority believe him to be, let us carefully examine this matter ourselves.

WHAT A SCIENCE IS.

A science is not a compound of truth and falsehood and a classification of the principles deduced from such a mixture. No doctrines are truly scientific unless they are the product of sound reasoning from facts verified by careful examination. Therefore, before we can certainly know

whether a related series of statements which purport to be "scientific" are actually so, we must first ascertain if the premises be true. We must examine the alleged foundation facts and see if they actually exist. If we find that such facts have been correctly stated, we must then consider whether the reasoning from those facts has been properly done. If we find any statement or theory which is the result either of bad reasoning, or at variance with positive facts, we have conclusive proof that such statement or theory is partially or wholly false. Moreover, we have reason to suspect that the whole fabric of the so-called science is built on foundations more or less rotten and defective.

HOW TO STUDY MONEY.

A plow is comparatively a simple tool. But no one can fully understand the meaning of the word "plow" without carefully watching one in operation. He must learn why and how it is used before he thoroughly knows what the tool is and why it is made just as it is.

The same is true of everything. In order to clearly understand the meaning of the term "money" we must act just as we do when we want to fully understand anything else. We must begin at the bottom of the subject; we must first learn the uses of money—why we use it and the purpose we accomplish by using it.

As the chief use of money is to act as the symbol and representative of wealth and capital, those terms must be understood before the use of money can be comprehended. Many persons suppose that the labors and sacrifices of mankind have for their object the possession of money. There are a small number of insane persons called misers, who spend years of hard labor and privation for the sole purpose of collecting money and fondly gazing at it. But, with these few exceptions, human industry is not incited by the desire to obtain money. The first and ever dominant motive to labor is the imperative necessity of providing food, shelter, warmth and clothing sufficient to maintain life. After the actual necessities of man's animal life are sup-

plied, his intellectual and moral nature make still further demands. Men labor to supply the wants which they have in common with the lower animals; they labor to obtain means to gratify their emotions, passions and tastes, and they are continually goaded to industry by an ever widening circle of real or fancied wants. These objects of human endeavor are comprised by the term "wealth."

The miner for silver and gold has not fully attained his object when those metals are in his possession. He exchanges them for a homestead, a farm, or such other commodity or thing as his necessities and fancy may dictate.

Man's vanity continually prompts him to desire an honorable and prominent position among his fellows, and in the estimation of the majority such a place is reached by the possession of a greater abundance and better quality of the necessaries and luxuries of life. Wealth is also desired as a means of gratifying social, moral, and religious sentiments.

When wealth can be obtained without money, men care nothing for money. Beyond the small amount of wealth absolutely necessary to maintain life, men care nothing for wealth whenever their desires can be obtained without wealth. An office which brings little money and much honor is eagerly sought for. Human desires of various kinds generate the force which makes the world a scene of unceasing struggles. Money is eagerly sought as a means of getting wealth, and wealth is desired as a stepping-stone to gratify the myriad cravings of the human mind.

WHAT CAPITAL IS.

Capital is whatever mankind use to create and procure the necessaries of life; it is the tool which labor uses to make wealth. Capital is the product of labor—it is labor put into a more or less permanent form—into something by the use and help of which it is easier to obtain food, clothing, fuel, shelter, and other needs and desires of men. Any tool, machine, agency, or thing which facilitates the creation of wealth, by making labor more effective than it otherwise would be, is capital in the full sense of the term. The

crooked stick which our ancestors used centuries ago to prepare the soil for seed was capital just as truly as the steel plow devised by modern science and skill.

Suppose a ship's crew were wrecked on an uninhabited island. The waters around them swarm with fish—the woods are alive with birds—but the crew are in danger of starvation because they have no means of killing either fish or fowl. With great difficulty one man makes a rude spear, or hook, wherewith to catch fish. Another makes a bow and arrows to kill birds. By the aid of these imperfect tools starvation is averted. The spear, the hook, and the bow are capital; labor has created capital, and capital has helped labor to secure food.

Without consciously making an argument, the makers of these tools have demonstrated that capital is the child of labor and shown the falsity of the dogma that "Labor can do nothing without the help of capital." In the beginning of society there was no capital. Labor had to create it.

If the owner of one of these weapons should lend it in consideration of receiving an equitable portion of the game captured therewith, that would be an example of loaning capital at a fair rate of interest. If the weapon-owner took advantage of the hunger of those who had nothing but their naked hands, and loaned the means of catching game for an unreasonable portion of the game, that would be extortion and usury.

As men progress from a rude state of ignorance and poverty toward knowledge and wealth, the forms of capital and the modes of collecting rent and interest become more numerous and complex; but the principle involved remains the same as in the foregoing simple examples.

DISTINCTION BETWEEN WEALTH AND CAPITAL.

In civilized communities, wealth can readily be exchanged for capital, and capital can be exchanged for wealth. In many cases, the same thing is both wealth and capital. A farmer's bin of potatoes is wealth. He can cook and eat them. He can also use them to create more potatoes—he

can plant them, and in that form the potatoes are capital; they assist the farmer to create wealth. A flock of sheep is both wealth and capital. It is capital when used to produce wool and raise lambs. It is wealth when used for the flesh and skins.

But many forms of capital are not wealth, simply because they do not and cannot directly supply man's wants—they are a remote link in the chain which carries wealth to mankind. The tools and machinery by the help of which threshing machines are manufactured are not wealth but simply capital. They help labor create the machine; the machine helps the farmer to get the grain, and the grain is wealth.

Forms of wealth which are not a direct or indirect means of helping labor to create other wealth, are not capital. Elegantly bound volumes of poetry, fine paintings, elaborately carved musical instruments and kindred things, are wealth because they supply the artificial wants of mankind. But they are not usually tools or means for creating other wealth, and therefore are not capital.

NO USE FOR MONEY WHEN NO WEALTH EXISTS.

Having defined wealth and capital we are now ready to consider why we use money. The proper beginning of such a study is to learn under what circumstances money is not used.

In a state of absolute poverty mankind would have no use for money, simply because they would have neither wealth nor capital, and therefore nothing would exist which they wanted to sell, to buy, or to exchange. Labor would exist, but until it had created some wealth, or some capital, wages paid in money would be of no use to the laborer; no one would want to sell his labor for money unless thereby his wants could be gratified.

The possible use of money begins with the acquisition of wealth. The richer a community is the more use it has for money; it has more to sell and wants to buy more.

The poorer a community is, the less use it has for money; it has less to sell and less ability to buy.*

In all probability mankind existed a long time before money would have been of any use to them, even if they had possessed what we now deem the best kind of money. After sufficient progress had been made to render the use of money possible, it was probably a long time afterward before its utility was discovered.

The earliest kinds of money were like the earliest tools of all kinds, rude and inconvenient. As mankind have painfully and at irregular intervals of time developed intelligence on all other subjects, so they have slowly and fitfully learned to improve their money, and have invented better modes of using it. The history of money is the story of man's progress from poverty, superstition and ignorance toward wealth, liberty and knowledge. To say that our present money is perfect is equivalent to saying that we have reached in all respects the highest state of perfection of which the race is capable.

Perhaps some things in regard to the uses of wealth, capital and money can be more easily understood by stating an imaginary case wherein money at first would be of no use.

A COLONY WITHOUT WEALTH.

Suppose a village of a thousand persons, with a variety of trades and occupations, should have all its inhabitants some day suddenly snatched from home and placed on the back of a comet,—no one having a single thing in possession but the clothes he had on. Suppose they were landed the next day on a planet similar in all respects to our world except that it was uninhabited by mankind. Further, suppose they arrived in the southern portion of the temperate zone, where wild fruit could be obtained in abundance sufficient to sustain life.

* This is the reason why the money of different countries varies so enormously in volume. A rich country actually needs far more money per capita than a poor country.

Those persons would be in a condition similar to that of primitive man, with, however, one enormous advantage: they would be possessed of knowledge which it has taken our race thousands of years to acquire.

What would this colony in all probability do? At first, they would be filled with consternation and despair, but perennial Hope would soon partially restore their spirits and they would set out in quest of drink and food. No one would regret the lack of money, simply because nothing would be lost by its absence. As none of the necessaries of life could be bought with money, it would be utterly worthless.

NEED OF TOOLS.

A remark about the intrinsic, unvarying and perpetual value of gold and silver would be received with derision. Every individual would be intent on securing the primary needs of life, viz., food, drink, clothing, shelter, warmth, and protection from enemies.

They would want the simplest forms of wealth, and would go to work to get them. After satisfying thirst and hunger, their next desire would naturally be to provide a shelter from the sun and storm—they would want to build houses. They would not think how much money a house would cost, nor desire money to build it with. The pressing problem would be, How shall we construct some kind of a shelter?

At once, the imperative need of tools to work with would possess every mind. The idea in the sentence: "Capital is a tool used by labor in creating wealth," would recur to them with an intensity of meaning it never before possessed. Their thoughts would turn to their former possessions,—but they would not desire many things for which they had toiled when on this earth. They would want working capital more than many other forms of wealth. A sharp steel ax would seem to them of more intrinsic value than a wheelbarrow full of gold eagles. They would rather have a sledge-hammer, a shovel, a pick and a crow-

bar than all the paintings, pianos and ornaments they had ever seen. The distinction between capital, by the use of which labor can readily create wealth, and those forms of wealth which cannot be so used, would be impressed very sharply upon them.

While slowly and laboriously cutting a stick of wood in two with a sharp stone, one of these colonists would sigh when he thought how easily and rapidly the work could be done with a buck-saw. He would remember that when on earth four buck-saws could be had for one day's labor, and would naturally think how delightful it would be to get one buck-saw for one month's labor.

It would then be plain to him that the amount of labor which a person is willing to give for a certain thing does not depend on the thing itself but on the person's situation and necessities, and that he will willingly give more or less labor for it as circumstances and conditions change. This conclusion would lead him to ask whether the value of things not bought directly with labor was not governed by the same rule as when paid for directly by labor.

VALUE OF A THING IS DEPENDENT ON CIRCUMSTANCES.

He would observe that the same things had far different values in his estimation then from what they had when in his old home. As these different ideas of value were attached to precisely the same things, he would see that the values were not inherent and intrinsic in the things themselves. If they were, the same value would always be attached to them ; because an intrinsic quality of a given thing is inseparable from that thing so long as it remains in existence.

The colonist would next say to himself : " Everything has a different value in my eyes now from what it had when in my former circumstances. Nothing has changed but circumstances and conditions.

" Therefore nothing whatever possesses absolute, intrinsic and inherent value ; the worth of a thing depends entirely upon the circumstances with which the thing is surrounded,

—upon the relation which it has to the condition and necessities of mankind.

"As the value of a thing is entirely due to the conditions by which it is environed, it necessarily follows that every change in those conditions must change the value of that thing just as the reflections of a mirror must change when different objects are placed before it." These propositions he would talk about with his fellow-colonists and would find no argument necessary for their acceptance, as everyone had already unconsciously imbibed them from the hard facts of daily experience.

THE VALUE OF LAND.

Parties would take short journeys in different directions to explore the country. They would discover vast natural meadows of fertile soil, and magnificent forests of good timber. They would think how valuable this soil and timber would be if situated in the vicinity of their former home, and of how little worth they were under the existing circumstances. The value which their life-long education had taught them was one of the most real and solid of all kinds of values—viz., the value of acres of fertile land—they would see, was like all other values,—the result of the conditions under which the land was placed, its relation to man and his need and ability to derive wealth from its use. They would recognize that the term "valuable," when applied to anything, is simply a brief mode of stating the circumstances and conditions under which that thing is placed, and the relation which it bears to mankind in consequence of those conditions. Furthermore, it would be plain that a considerable portion of those conditions are creations of custom and law.

NEED OF CAPITAL.

We have seen that our imaginary colonists, impelled by instinctive love of life and its enjoyments, have gone to work to create wealth and capital, with nothing to aid them but their knowledge and naked hands. Part of their indus-

try would necessarily be first devoted to gathering means of subsistence from day to day. This labor would leave them no richer at one week's end than another. They would clearly see that the only way to escape from their destitute condition was by accumulating capital. The imperative need, not only of supplying daily arising wants but also of practicing economy of time and food, would be sharply forced upon their attention. Thus the first lesson which must be learned by every one who wishes to acquire even the smallest amount of wealth or capital would be taught and illustrated hourly by the constant presence of ugly facts.

More fully than ever before they would realize how comparatively inefficient a man's work is when he is without tools, and consequently their earliest savings of time and labor would be expended in procuring various substances wherewith to make rude implements of different kinds.

HOW COMMERCE BEGAN.

One man would make a journey to a rocky hill, and after patient search among the fragments of rock would find a sharp-edged stone, suitable for conversion into a stone ax. Straightway he would think that perhaps a better stone could be found, and would continue his efforts until in possession of several stones. Doubtful which stone was the best of the lot, with great fatigue he would carry a load of them into camp. From an excursion along the sea-shore another man would return laden with shells suitable for use as drinking-cups. Another would bring in a bundle of sticks of wood which could be used as ax-handles or as clubs to beat off wild beasts.

These three men would meet and exhibit their treasures to one another. The owner of the sharp stones could not use all of them himself, and would at once wish to exchange one stone for an ax-handle, and another stone for a shell to make into a drinking-cup. The owner of the shells would have more of them than needful, and would prefer

to have fewer shells and to own instead a sharp stone and a good stick. The owner of the sticks with little reflection would conclude it far more desirable to have a smaller number of sticks, and in place of those parted with, have a shell for a cup and a sharp stone to fasten on the end of one of the remaining sticks.

Thereupon these three persons would exchange goods with one another, and similar exchanges of simple, rude articles would take place between a considerable number of the colonists. Commerce would begin. A few persons are simply a fractional part of the world's population. When we learn how two or three men will naturally trade with each other when placed under certain circumstances and actuated by certain motives, we have a substantially correct miniature picture of what two or three hundred, two or three thousand, or two or three million men will do under similar conditions. Essentially similar motives produce essentially similar conduct. The germs of the vast commerce which encircles the globe all exist in the aforesaid simple exchanges.

In trade of all kinds the first event in the progress of its birth and growth occurs when A learns that something is in the possession of B, the ownership of which the fancies or the necessities of A cause him to think will give greater satisfaction, pleasure or power than a certain amount of his own labor or some commodity which he already possesses. A conference is held between A and B. The relative value of things is agreed on and an exchange is made.

When the world's commerce is viewed as a whole, it appears such a tangled net-work of trading, buying and selling that no one can understand it, or explain the motives which cause goods to be incessantly shipped hither and thither. But when these apparently complex commercial transactions are dissected, they resolve themselves into the simple combination of facts which caused the aforesaid trades between the colonists, and between A and B.

Each one of the three colonists aforesaid gave a thing which he did not need for a thing which he did need. Or,

more accurately speaking, he gave what he thought he needed *least*, for what he thought he needed *most*.

DEFINITION OF TRADE.

Trade has been defined as "an exchange of the superfluous for the necessary." This is a correct definition in many instances. C gives D something which is superfluous to C, but necessary to D. D gives C something which is superfluous to D, but necessary to C. This is undoubtedly the natural manner in which all exchanges of commodities and labor would be made, if mankind were governed by the Golden Rule. No one would then be obliged to labor for another person unless by so doing he received as much benefit as he conferred. The workman would then give his labor and receive in payment therefor what he needed, but which was relatively superfluous to his employer. When a man traded he would always dispose thereby of something of little or no benefit to himself until exchanged for something else for which its previous owner had less need than for what he took in exchange therefor.

HOW TRADE IS OFTEN CARRIED ON.

But in fact injustice and oppression have always prevailed to a large extent throughout the world, and there are no indications that their reign will terminate this year. Exchanges of commodities, and of labor for commodities or money, are not always a mutual benefit. One of the parties to the transaction often gets by far the best of the bargain. Vast numbers of persons have been, and are to-day, compelled by various forms of commercial dishonesty, and by unjust legislation backed by ruthless power, to dispense with or forced to sell many things which are not strictly superfluous, and thereby subject themselves and families to privation and suffering. Inequitable taxation, exorbitant rent and interest, unfair bargains, inadequate wages, and legislative robbery in different forms, compel multitudes to go without some necessaries for the purpose of getting or retaining other things still more needful for their comfort and

happiness, and perhaps vitally essential to a bare subsistence. Therefore, trade as it is actually carried on should, in a large percentage of cases, be defined as an exchange of things which appear to one of the parties to the bargain of *less* necessity, for things which appear of *greater* necessity.

Instead of always selling or exchanging superfluous things, mankind frequently dispose of what they want to keep for the purpose of obtaining something for which their wants are still greater. It would therefore be better to define trade as an exchange of what can be most easily parted with for something more needed.

WHAT SIMPLE BARTER IS.

The aforesaid exchanges of the colonists are examples of trade by complete and direct barter. Neither money nor credit has been used, and no merchant, banker, broker, commission merchant, shipper or middleman of any kind has acted for or between the different parties. The transaction has been effected with the smallest possible amount of expense, viz., the time of the parties themselves while making the trade. No one has traded with the idea of getting a thing for a low price and keeping it until a future time when more could be had for it. In each case the producer has given the fruit of his labor directly to the consumer, and has received in return the product of another man's work which is wanted for personal use. The advantages of the trade are confined to the persons who are principals of the exchange. No fee, commission, or profit has been paid to, or made, by any third party to the transaction.

ADVANTAGES OF DIRECT BARTER.

Thousands of years have passed since our ancestors first made exchanges similar to those aforesaid. Meanwhile human ingenuity has been taxed for the purpose of inventing other ways of trading than by direct barter. These endeavors have been produced by the difficulty which often occurs, of the parties directly meeting each other and bringing their goods with them. The result of these efforts to

overcome inconveniences has been the construction of admirable commercial machinery whereby a man who wishes to exchange his labor, or the product of his labor, with another man for the product of that man's labor, can indirectly do so without ever meeting the man with whom he really trades.

The shortest distance between two points is a straight line drawn from one point to the other. When a meeting is practicable between two men who each possess something which the other wants, it is obvious that the shortest road to an exchange is direct barter; no third article or third man intervenes to make the route a circuitous one—the line is drawn straight and direct. It follows that wherever and whenever it is practicable for the parties to meet and mutually supply each other's wants, no means of making exchanges has ever been invented which is as good as the primitive method of complete and direct barter. This is one of the comparatively few cases in which perfection in the manner of doing an act appears to have been reached the first time the act was done.

When one thing is given directly for another thing, there is less opportunity for errors in judgment and mistakes in estimating relative value than occurs when one thing is given for a third article, and then the third article is given for the desired object. Only two things are compared with one another; the parties are not called upon to appraise a third article. After the relative value of the two things is decided on, only one exchange is made, and this is always simpler and plainer than when two or three exchanges are made.

MECHANISM OF EXCHANGING THINGS BY USE OF MONEY.

In illustration of this, let us now carefully note the difference between a simple barter, and an exchange in which money is used.

R has more apples than he wants, and would like to exchange one barrel of apples for a barrel of potatoes. S has more potatoes than he wants, and would like to exchange

one barrel of potatoes for a barrel of apples. The simplest way for R and S to have their wants supplied is for R to cart his apples directly to the house of S, to exchange with S for a barrel of potatoes, and then put the potatoes directly in the cart and take them home.

Instead of trading by the aforesaid barter, if R take the apples to the store of C, a fruit dealer, and sell them for money, the relative value of the apples and a certain amount of money must first be arrived at. In other words, the price of the apples is fixed and then the money is handed to R. One exchange and an appraisal of the relative value of two articles, viz., the apples and the money, has then been made, but R has not yet got what he wants.

R takes the money received for the apples to the store of T, a dealer in vegetables, and examines a barrel of potatoes. Then the relative value of the money is compared with the value of a barrel of potatoes, and after this appraisal is made, R hands the valuation to T and takes the potatoes.

Two exchanges and two sets of appraisals have now taken place, but S has not made the exchange which he desired to make. In order to do so he carts his potatoes to the store of T, and T and himself estimate the value of a barrel of potatoes compared with a certain amount of money; that is, they decide what the price of the potatoes shall be, and this is the same thing as deciding what the price of the money is. T pays the amount of money decided on to S and takes the potatoes.

S then takes the money received for the potatoes to C and looks at a barrel of apples. S and C then appraise the value of the apples and the value of the money; that is, the price in money of the apples is decided on. S then hands the determined amount of money to C and takes the barrel of apples home with him.

WHO ARE PRINCIPALS IN A TRADE.

After all these exchanges and cartages have been made, R and S have both done in a roundabout way what they might have done by direct barter. In this transaction R

and S are the real persons, the principals, who have exchanged goods with each other. C and T are merely go-betweens. They are middlemen, helping R and S trade for the purpose of making a profit out of both of them.

If R and S had bartered with each other, neither one of them would have incurred the risk of being a loser at the hands of C and T, by reason of a faulty judgment of values by R or S; or by the possible superior shrewdness, which may border on dishonesty, of C and T. In a direct barter between R and S, a certain barrel of apples and a certain barrel of potatoes, both of a particular quality, would be directly before each man. In making an appraisal of values *this* barrel of apples would be compared with *that* barrel of potatoes. Each man would know at once how he was going to come out—what would be the final result of the trade. But when the appraisal of values was made between R and C and T, and between S and T and C, the value of apples and potatoes in general was estimated, instead of a special valuation of a particular barrel of apples or potatoes. At least the general value of those articles had more influence on the minds of the appraisers than it would if the object were merely to compare the value of one designated barrel of apples with that of one designated barrel of potatoes.

Leaving at present out of view the fact that C and T have both made a profit out of R and S, it is evident that the chances of an equitable bargain were diminished by the exchanges which were made to reach the final end desired.

In the foregoing illustration there are only two middlemen between the producer and consumer. But in the ordinary course of commerce, where direct barter is not used, a considerable number of persons often intervene between the real parties to the exchange. The more hands two things given in exchange for each other pass through before each thing reaches its final destination, the greater the probability becomes that one or both of the original owners of those things will not receive a fair return for what was parted with.

It is certain that the producer and the consumer of a cer-

tain thing must, either directly or indirectly, pay the commissions charged by the third parties as toll for having that thing pass through their possession.

SIMPLE BARTER IS STILL IN USE.

By reason of the foregoing advantages attending it, direct barter to a considerable extent has survived the invention of money, and the many devices for making exchanges with representatives of money. This is so not only in localities where money is scarce and exchanges few and simple in character, but direct barter is still carried on in the great centers of wealth and population. In London and Paris newspapers are now printed which make a specialty of helping persons make direct trades with one another. A portion of their advertising space is devoted to notices similar to those given below which were taken from a recent London paper.

EXCHANGES.

"Well mounted slides of pigeon dispatch, used during the siege of Paris, in exchange for two slides of interest, also well mounted.—L. Hawkins, Hillside, Hastings.

"Wanted, standard works on natural history, in exchange for fossils and algæ. A good copy of Goldsmith's 'Animated Nature,' colored plates, 2 vols., well bound, for four dozen good micro. slides.—165 Well street, Birmingham.

"A valuable collection of British mosses (120 specimens), with notes, from herbarium of late W. Valentine, offered for Cooke's 'Hand-book of Fungi.'—G. E. Massee, 8 West Grove Terrace, Scarborough."

It appears not improbable that the public press will hereafter be used far more than it has been for bringing together persons who can mutually supply each other's wants by direct barter. We could thus restore the opportunities for trading face to face which were enjoyed by our ancestors when hamlets, farms and forests existed where large cities now stand.

HOW BARTER TENDS TO PRODUCE FAIR BARGAINS.

Let us now consider a specimen case, which may show the tendency of direct barter to prevent those who wish to make an exchange from being confused and misled by side and irrelevant facts and issues and being cheated in consequence.

Suppose M wants to exchange his colt for a fine cow, and N wishes to exchange his cow for a colt. If M is pleased with N's cow and N likes M's colt, nothing can be simpler than for M and N to bring their animals to a place of meeting and there compare the relative merits and value of the cow and the colt. The range of debate is thereby made as small as possible. Whether live stock at that time is high priced or low priced,—whether the Winter is likely to be severe or the Summer very dry,—whether feed will be plenty or scarce and high, and a number of other considerations, are all shut out as foreign to the question before M and N, viz., What is the relative value of these two animals?

The manner in which barter often benefits both parties and prevents troublesome disputes may perhaps be still further shown by an example of direct barter of labor for labor.

F and H are farmers and each one has three stalwart sons living at home with their father. Their farms lie near together but are quite different in quality. F's farm has a subsoil of sand and gravel, but the farm of H has a subsoil of heavy clay. As a result of this difference, the farm of F produces early crops while the crops on H's farm are of slower growth and are later in ripening. When F's corn is ready to hoe, the corn of H is just coming up.

F then says to H: "I have a large field of corn which needs hoeing at once. You come and help me hoe my corn and when yours is ready I will help you hoe yours." H agrees to this, and early the next morning a little army of men has invaded F's cornfield,—F and H and their six sons are at work, cheered alike by one another's company

and by the rapidity with which the weeds are cut down. "Many hands make light work."

In a few days F's large cornfield is free from weeds and presents a beautiful sight to a farmer's eye. In a short time the corn of H needs hoeing, and then F and his sons join H in hoeing his corn until H has received as many days' labor as he has given F.

Neither F nor H has used either money or commodities in making this exchange. Both have traded a day's work when they could most easily spare it for a day's work when they needed it most. The value of each day's labor has thus been increased. The wages of a day's labor have been a day's labor. There has been no possible chance for any disputes about the number of hours which a man should work in a day, the rate of wages, nor about any other of the disputed questions concerning the proper relations of capital and labor. The exchange has furnished steady employment, and enabled both parties to accumulate a certain number of days' work to be used when wanted. It has also promoted good feeling and pleasant relations between neighbors, which is a matter of considerable importance.

BARTERING LABOR.

The foregoing example of directly paying for labor with similar labor literally describes the custom of "changing work" which prevails more or less throughout the agricultural portions of the country. It is generally practiced more in the new, than in the old settled sections. Fifty years ago, in the neighborhood where my boyhood was passed, it was a universal custom, which existed by reason of the scarcity of money, the difficulty of obtaining laborers in sufficient numbers when an urgent need of their services for a short time arose, and the feeling of equality and kindliness which prevailed between the farmers.

I remember seeing a case of the application of this mode of barter which illustrates its simplicity and efficiency. In December, C agreed to deliver sixty cords of wood, for a

certain price per cord, at a designated place before the first day of the next April. It was important to the buyer that the wood should be delivered at the specified time. A series of mishaps occurred to C, the result of which was that about the middle of March the wood had been chopped, drawn from the woods and piled along the highway, but none of it had been drawn to market. Just before that time snow had fallen. The sleighing was good, but liable any day to be spoiled by a thaw. If this happened the roads would be left in such a bad condition that it would be impracticable to draw the wood during the remainder of the month. C would therefore be unable, with his own team, to deliver the wood as agreed. Even if the buyer should permit him to deliver it in April, after the road had settled and become good, he would then be unable to spend the time requisite to draw the wood, because the Spring plowing and sowing would have to be attended to at once.

C could not hire the neighboring farmers with money for two reasons, each one of which alone was sufficient. He had no money which could be spared for that purpose. If he had possessed the money and offered to hire them with it, nearly every one of his neighbors who owned teams would have been very much offended and refused to hire out on such an occasion, as something utterly beneath their dignity.

C resorted to direct barter of labor for labor. He sent a boy with a horse and cutter to all the neighbors for some distance around, inviting them to "a wood bee," the next afternoon. Shortly after noon the next day double teams attached to wood sleighs arrived at C's house from all directions. Some of the neighbors who had no teams came with willing hands to help load and unload the sleighs.

Sleigh after sleigh was driven to the wood pile, quickly loaded with wood, and started for the market-place amid merry talk and laughter. At the place of delivery a similar scene occurred, as one sleigh after another delivered its cargo and started back for another load. When the sun set, the entire pile of wood had been moved about a mile down

a series of steep hills and neatly piled at the place agreed on. The neighbors then went home to fodder their cattle and attend to other nightly chores, all pleased with the success of the "wood bee." It so happened that a thaw spoiled the roads the next day.

This was a case of direct barter of labor for labor without any agreement either verbal or written between the parties to it. There was simply the tacit understanding that C should conform to established custom, and be willing at any time to help any other one of the neighbors in a similar manner whenever help was required.

MAKING "BEES."

It was customary to make "a bee" whenever an unusual number of hands for a few hours were required for some heavy work, as raising the frame of a building, for instance; or, whenever a farmer had a very heavy piece of work of any kind which he wished speedily done and hated to begin alone. Man's social nature made it seem easier to work in a large company of acquaintances where the work was speedily dispatched, as if it were merely a huge joke, than to drudge along alone. At these gatherings all the interesting news and topics of the region were talked over, and some of the old farmers would grow eloquent in descanting on the merits of a favorite team of horses, or the strength and endurance of a lusty son. Labor was not the only thing which was bartered; jokes and stories were also freely exchanged. The capacity of telling a good story always insured its owner an invitation to all the bees in the neighborhood. Not to invite a neighbor to a bee was considered an affront,—an intimation that his society was undesirable. Frequently the afternoon's work was followed by a bountiful supper, and a merry-making at the house of the maker of the bee. In this the wives, daughters, sisters, and sweethearts of the workers participated, and it was often long after midnight before the bee broke up. Thus besides being a mode of bartering labor, "bees" were to the farmers what

"parties" of different kinds are to the unfortunates who live in cities.

GROWTH OF CLASSES.

That the custom of "changing work" and of making "bees" has fallen considerably into disuse during the last forty years is to be lamented. It shows that the social relations between men of small means and those in more opulent circumstances are not as cordial and friendly as they were;—that the people are separating into classes who do not fully fraternize with each other, and that the spirit of the community, in consequence, is less democratic than it was. It denotes also the growth of a desire to imitate men who are so mean and ignorant as to use wealth and position solely for the gratification of vanity and other selfish purposes, and to imagine that such conduct confers nobility.

WHAT A SNOB IS.

Persons guilty of snobbery, *i. e.*, of mean imitation of mean conduct, are generally so more because of their lack of information and good sense than from inherent baseness of heart. They have aspirations for superior things, but do not know enough to see the distinction between what is essentially admirable and what is superficial, ignoble and degrading. These pretentious persons practically ignore some of the cardinal Christian virtues. Let us hope that this prevalent ignorance of to-day will melt away before the broader knowledge and better spirit of to-morrow.

BARTER OFTEN THE BEST WAY TO TRADE.

The simplicity of direct barter and its tendency to prevent unequal amounts of value from being exchanged equally for one another are not its only merits. Whenever circumstances make it practicable, it is the most economical method of making exchanges; but, as will hereafter be shown, under certain conditions, indirect barter, and purchase and sale with money, are cheaper than direct barter.

Every intelligent mechanic knows that the power of an engine, or machine of any kind, is greatest where the force is created, or arises; and that every transmission of that power through belts, cogs, shafting, cams, or pulleys diminishes it. Part of the power is lost in turning the machinery which transfers it from one place to another, or from one kind of motion to another. No matter how perfect the mechanism, nor how well oiled it may be, more or less waste of power by friction is unavoidable. The more complex the machinery, and the farther apart its different portions are, the greater the expense must necessarily be of realizing a given amount of net power from the engine. Therefore all the various appliances for distributing the power of an engine are necessary evils and should be made as few and simple as possible.

What cogs, belting, shafting and pulleys are to engines, merchants, brokers, bankers and middlemen of all kinds are to men who wish to exchange things with one another. Belting and shafting transfer power; middlemen transfer property. As we shall see hereafter, middlemen are often a necessary means whereby exchanges are made, but nevertheless they increase the friction and expense attendant upon transfers of property from one man to another; that is, they make the expense greater than it would be if it were practicable to use direct barter. Other things being equal, producers receive a less value in return for what they create, and consumers give a greater value for what they buy, just in proportion to the number of middlemen who intervene between them. This is unavoidably so from the fact that the necessary expenses, as well as the profits of the middlemen, must be borne by those who originally sell and those who finally buy.

PROFITS OF MIDDLEMEN.

Merchants and agents of different kinds do not always transact business for strictly benevolent purposes.

This may be illustrated by reference to a state of facts now existing.

A shoemaker living in Massachusetts wishes to exchange a pair of boots for some corn to feed his fowls. A farmer living in Iowa wishes to exchange some corn for a pair of boots. These two men, lacking facilities for direct barter, trade with each other through the intervention of a number of middlemen. The shoemaker takes his boots to a merchant and sells them for two dollars and forty cents. He then takes this money and with it buys four bushels of corn. The shoemaker has then exchanged one pair of boots for four bushels of corn. The boots are then sent through different persons to a merchant in Iowa. The Iowa farmer sells twenty bushels of corn for four dollars, and takes the money and buys the identical boots which the Massachusetts shoemaker sold. The farmer has then exchanged twenty bushels of corn for a pair of boots.

The exchange is now completed. The shoemaker has got four bushels of corn and the farmer has got the boots. Now what has become of the rest of the corn—the sixteen bushels which the farmer gave more than the shoemaker received? The answer is obvious; the middlemen have got it. They have charged the farmer and the shoemaker sixteen bushels of corn for carrying a pair of boots from Massachusetts to Iowa and bringing back four bushels of corn.

In the foregoing illustration, for the purpose of making a moderate statement, the retail price of corn in Massachusetts is placed at three times the wholesale price of corn in Iowa. It would, however, be much nearer the average market rates to state the Massachusetts retail price at four times the Iowa wholesale price. This, of course, would make the example a more striking one.

The aforesaid recital of what, in substance, is constantly occurring in a countless number of cases, shows how large a tribute persons at a considerable distance from each other often pay to middlemen. The actual expense of carrying corn from Iowa to Massachusetts is considerable, but it seems as if the transfer ought to be made in some way so that the consumer would not pay three or four times as much as the farmer receives. Let us now look at a case in which

the distance between the real parties to the exchange is small.

A farmer living near a city wishes to exchange some butter for a coat. At the same time a tailor living in the city wishes to exchange a coat for a tub of butter. The farmer drives into the city with some tubs of butter, and sells them to a wholesale dealer in butter for twenty-five cents a pound. He takes the money to a dealer in clothing and buys a coat for which he pays twelve dollars. He has then exchanged forty-eight pounds of butter for a coat. This coat was made by the said tailor who sold it for ten dollars, and a couple of days afterward he took this money to a retail butter dealer and bought a tub containing thirty-three pounds of the same butter which the farmer sold. The tailor had then exchanged his coat for fifteen pounds less butter than the farmer gave for the same coat.

If the farmer and the tailor could have made a direct barter with each other, they would, between them, have saved the butter which the middemen have taken as toll for having the goods pass through their hands. In a direct trade, the tailor would probably have got about forty pounds of butter for his coat.

When a boy; I knew a man who owned a large farm and had a fixed policy of disposing of as much of his products as possible by direct barter. He was constantly making direct exchanges with the blacksmith, the grocer, the tailor, the doctor, and with every one else with whom a direct barter could be made. The neighbors laughed at this and called it what mankind are prone to call conduct which they do not understand, "eccentric." He was frequently asked: "Why do you barter like a savage when you can so easily sell your crops for money?"

But the farmer kept still and steadily persevered in his "eccentricity." The result was that this settled habit of paying his bills largely by direct barter, in course of time made him the most prosperous farmer in the vicinity.

None of his acquaintances saw the fact that by direct barter he continually sold his products for a higher price

than the neighbors did. He made the exchanges which he desired to make with a smaller amount of products than he would have been obliged to give if middlemen had stood between him and those he dealt with. He had no difficulty in bartering again with a man who had made one trade of that kind, because his customers always fared as well and often better than they would if their exchanges had been made in the ordinary way with money. It would be better for the whole community to have more such eccentric farmers.

BARTER COULD BE EMPLOYED MORE THAN IT IS.

Direct barter of one kind of labor for another kind of labor and direct barter of labor for commodities, especially in periods of business depression, could be profitably resorted to far more than they are. It is an error, both prevalent and pernicious, for workmen to suppose that their wages are necessarily very low when they do not receive pay in money. Idle men not infrequently say: "There is plenty of work if you work for nothing but trade. We do not want to work for nothing."

BEST TEST OF WAGES.

The fact is that a man may receive fair, or even high wages, without receiving any money whatever. The true test of the fairness of a man's wages is the amount of the necessaries of life which he gets for a day's labor. It is immaterial to the laborer whether he gets the things he needs directly for his wages, or whether he gets money and then takes the money and buys the goods. The essential thing is that the fair value of the labor should be balanced by necessaries. Whether this takes place or not does not depend on the mode of payment, but on the amount of value which is transferred to the workman when his wages are paid. Very frequently, in hard times, thousands of idle men throughout the country could be put to work at once if they would take their wages directly in the products of the mine, the farm, the mill, and the factory.

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This course would have a powerful influence in hastening the return of better times.

Suppose a carriage factory in Connecticut, in consequence of inability to sell carriages, has discharged its workmen. At the same time a rice planter in South Carolina writes: "I wish to buy a carriage of you, but cannot sell my rice at a fair price." Why could not the planter barter his rice for a carriage, and the carriage-maker pay his workmen in rice? Occasionally, woolen factories in New England are closed for want of sale for their cloth, and the workmen meanwhile are idle, and anxious to know how their bread will be obtained if work cannot soon be had. At the same time in many sections of the West, farmers who own overflowing granaries of wheat are sorely in need of woolens.

Why could not a club of farmers send one or more car loads of wheat, direct from the nearest railroad station to the factory, and receive in return bales of woolen cloth to be divided equitably among the contributors of the wheat? The manager of the factory could have the wheat ground into flour, and paid as wages to the factory operatives.

Similar things have been done for centuries, and it would be far better to do them now than to have society suffer such great losses as the idleness of large numbers of persons necessarily entails. Greater information about political economy would often enable farmers, employers and workmen to devise and successfully carry out plans for bridging a chasm of business stagnation by direct barter. A high sense of honor among all classes of citizens would also be an important factor in facilitating barter in the manner aforesaid.

FACILITIES FOR BARTER SHOULD BE INCREASED.

Government should take measures to facilitate direct barter, because thereby individual, and consequently national prosperity would be fostered.

The obstacle to direct barter between persons living remote from each other is chiefly lack of information. For example, a manufacturer of cotton cloth in Massachusetts

may want to barter cloth directly with a Mississippi cotton planter. The first question is: To whom shall I address my proposition? Not having knowledge of a single planter's address, the manufacturer abandons the project as impracticable.

Discussion and practical experience have resulted in the general conviction that it is sound public policy for a government to take charge of the distribution and dissemination among the people of all kinds of information. To this end the Post Office in all its departments is established and maintained. For the same purpose, every ten years, at great expense, a census is taken and published. At public expense we print the speeches of Congressmen, and send them with various governmental reports all over the country.

In some countries the Government controls the telegraph lines. All these measures have essentially one purpose; *i. e.*, to educate the people and make it easier for every man to communicate his thoughts and desires to persons remote from himself. In this work, Government should take another step. Every State should have a Bureau of Industrial Information, which, on application by letter, would furnish the inquirer with the address of all persons or firms engaged in any specified business or industry in that State, together with such other information as might be required to enable the wants of the different parties to be fully known to each other. One man would then be able to directly state what he wished to get and what he wished to sell, or trade, in order to get it. The creation of such a bureau would enable a resident of Maine to exchange his goods directly with a citizen of Texas without paying large commissions of different kinds to those who make a profit by the temporary possession of property. It would simplify our commercial machinery, by removing the need of the present great number of men who stand between the producer and consumer.

IMPORTANCE OF CITIZENS BEING ACQUAINTED.

Whatever facilitates commercial intercourse between citizens of different States, and their knowledge of each other's condition, tends to make us a more homogeneous nation. Any measure which makes it easier for a man to learn about the peculiarities of soil, climate, industries, and ideas of a locality to which he may have some thoughts of removing, promotes social relations between all parts of the country. Increased knowledge of mutual wants opens new markets for labor, goods and skill. It stimulates education of all kinds. It makes every citizen feel more fraternal toward all others.

Under our present social system a majority of the large fortunes which individuals are constantly acquiring are not obtained by those engaged in the creation of wealth. As a general rule money is more easily made by acting as a middleman than in any other capacity. It is the *traders* of various kinds, and not the *producers*, who get the cream of industrial efforts. The traders in money usually get the largest share of profits.

WEALTH OF CITIES.

Wealth accumulates in large cities largely because the various products of industry pass through those cities on their way from the producers to the consumers, and pay toll during their passage. Hence the wealthiest cities of the world are those through which the greatest amount of property continually passes. In all ages, the wealthiest nations have been those who acted as middlemen, and handled in various ways the property created by other nations. Any measure which would enable persons engaged in different industrial pursuits to more easily supply each other's wants by trading without paying tribute to middlemen, would lighten the burdens of the laboring population. The cost of exchanging the productions of different portions of the country is lessened by a reduction of the numbers of those

who must be paid for the labor involved in making such exchanges.

FACTS IN REGARD TO MIDDLEMEN.

Much has been said and written in eulogy of the great benefits conferred on the community by bankers, merchants, and other middlemen. But an analysis of the matter shows that they are of service in so far as they perform the labor of making exchanges cheaper than the producers could do it by directly trading with each other. Beyond that point they are burdens on society, parasites living and often growing rich on the labor of producers. Every unnecessary middleman is so much labor and energy wasted; the middleman himself may flourish, but society is poorer to the extent of the labor that he might otherwise perform in a more useful capacity. Therefore the best interests of every community, State, and nation, require the adoption of measures, the tendency of which will be to transfer these superfluous agents into some employment, useful, not simply to themselves, but also to the whole people.

Other conditions being equal, the actual expense to a railroad, a merchant, or an agent of any kind, of transferring a hundred thousand things from one person to another, is not twice as great as the cost of transferring fifty thousand things. The net profits of a middleman may be untouched, or even be increased, at the same time that his charges for performing a certain service are diminished, provided the gross amount of his business be sufficiently increased. Consequently, society can secure the lowest possible expense of making exchanges by limiting railroads, merchants and agents of all kinds, to the number absolutely needed to perform the requisite service.

PARALLEL RAILROADS.

The aforesaid principles have recently been illustrated in a striking manner by the construction of parallel railroads not necessary to perform the carriage required. In every case, such roads have not ultimately cheapened the cost of

transportation, but have been a loss to the community. When an existing railroad charges exorbitant rates, and has full capacity to perform all the public service required along its line, a parallel railroad should not be allowed to be built. The Legislature should at once take the existing road by the throat, and say: "We will make you carry passengers and freight at equitable rates, and you shall not be allowed to say what is equitable. We will establish a fair tribunal to decide that question, and will compel you to abide by its decision. You shall no longer be the sole judge of your own case. The public have rights as well as yourselves."

INCREASE OF MIDDLEMEN.

It is a common delusion to suppose that an increase in the number of middlemen, and of those engaged in pursuits auxiliary to industrial production, necessarily results in a competition which lessens the cost to the community of a particular service. For example, let us suppose a city which actually needs the services of twenty physicians and ten lawyers. Within its bounds twenty additional doctors and ten additional lawyers have recently settled. Would medical and legal fees thereby be diminished? On the contrary, that city would thereafter have to support two men where one was supported before. Many physicians and lawyers are opposed to the trades unions of bricklayers and carpenters, but they are continually supporting trades unions which they call "Medical Societies" and "Bar Associations." These trades unions fix the scale of prices at which medical and legal services shall be rendered. The result is, that there is actually little competition in prices of wages. The competition is for employment. Having less employment than if there were a smaller number to perform the service, there is a greater necessity and temptation to charge the highest possible fees.

What has been said of physicians and lawyers applies to many other classes of persons. When society is properly organized, measures will be adopted, the tendency of which will be to prevent an unnecessary number of middlemen. Hereafter this subject will be further discussed.

CHAPTER IV.

Indirect Barter.—Trade is Seldom made Purely for Amusement.—Origin of Commission Merchants.—Origin of Merchants.—A Merchant's Profits are for Information.—Fairs.—When Indirect Barter begins.—Foreign Commerce is Barter.—Effect of Destruction of Gold and Silver.

Transfers of property are not made for the mere purpose of transfer; but for the attainment of a definite purpose pre-existing in the minds of all parties thereto.

Perhaps it has been shown with sufficient fullness that direct barter is the simplest method of trading, and the one which mankind naturally first used. Let us now consider the next step in the development of commerce, and to make its description more easily understood, return to the fortunes of our imaginary colonists. When we left them they were very poor, and had just begun to create wealth and capital, and to directly exchange things with one another. But they are steadily working and practicing economy, and in consequence, wealth and capital slowly but surely increase. Neither time nor labor is spent on wealth which is not a means of creating other wealth.

Thus, directed by imperative necessity, labor as far as possible is employed in creating the means whereby wealth can more easily be produced. After a time, as a consequence of such a course, capital in the form of rude tools begins to be abundant, and although these implements are of an inferior quality, they are nevertheless a great help to the naked hands. Labor becomes more efficient and productive. Food, shelter and clothing are more readily obtained, and life becomes easier and its tenure more secure. The colonists increase in numbers. They are now provided with weapons to defend themselves against wild beasts, and there is no longer the same necessity which first existed for

all congregating within narrow limits for mutual help and protection. The country is explored for good locations, and emigrants from the first camping-ground settle the best sites on the neighboring lands, over a steadily widening area.

As their numbers increase and the distance from one man's house to another's, and from one part of the settlement to another grows greater, meeting each other and trading entirely by direct barter becomes more difficult. This is so chiefly because a personal knowledge of each man's wants, and his capacity to supply other persons' wants, becomes less universal. Everybody ceases to know everybody. Consequently, every man ceases to know all those who want to trade, what things they wish to dispose of, and just what things they wish to get in exchange.

ORIGIN OF COMMISSION MERCHANTS.

In proportion as this condition of things grows, the need of information in regard to each other's desires and abilities to make exchanges also grows. The colonists need an Industrial Intelligence Office where facts in regard to each other's wants can readily be obtained. The events which lead to the opening of the first office of this kind are always essentially the same; *i. e.*, circumstances make it either convenient or necessary for a third party to intervene between the two persons who exchange goods with each other.

A has the skin of a wolf which he wishes to exchange for some fish-hooks. B has more fish-hooks than he wants, but does not wish to trade for a skin,—he wants to exchange them for an ax. C has a surplus stone ax, but he does not want any fish-hooks,—he wishes to exchange the ax for a wolf skin.

D is a shoemaker who lives in a cabin near the junction of several much traveled paths. While D is sitting in front of his hut at work, A comes along with his wolf skin, and after accosting D, says: "I want to trade this skin for its value in fish-hooks, but do not know who has any to

spare. You live here where you see a great many more people than I do, and can therefore more easily find out who wants to exchange hooks for this skin. I will leave the skin here; you make the exchange, and I will pay you for the trouble." D takes the skin and hangs it up in his cabin.

Soon afterward B comes along with a bunch of fish-hooks, and after making remarks similar to those made by A, he desires D to help him make a trade for an ax. Then C walks up to D, and like A and B, he requests D's assistance in making an exchange of his ax for a wolf skin. Thereupon D trades A's skin for C's ax, and receives a small stone hammer from C for his trouble.

When next D sees B, he gives him the ax received from C, takes his fish-hooks in exchange, and receives one fine hook for his trouble.

Finally, A returns, and upon inquiring about the fish-hooks is told that they have been obtained in exchange for his wolf skin. A takes the hooks and gives D one of them for his trouble.

The desired exchanges have now all been made. Indirect barter has begun. D has made a profit by trading the property of other persons, and has thus become a middleman. In fact, D has received pay for keeping an intelligence office; his duties were to get the precise items of information which were wanted by A, B and C.

D now perceives that a profit can be made by acquiring industrial information, and having a central location, he puts out a sign: "I help people trade by finding out who wants to procure what they have got, and who can furnish in exchange what they want." This sign is afterward shortened, without changing its meaning, so that it reads: "General Commission Merchant."

ORIGIN OF MERCHANTS.

After a time D acquires some wealth, and knowing what things are commonly wanted and what the people are willing to give in exchange for them, he puts his wealth in

the form of a supply of what is usually needed. When a customer appears who wishes to exchange something in his possession for another thing, D has ordinarily that other thing on hand, and can make the exchange without the delay which we have seen occurred in making trades for A, B, and C. Besides avoiding the delay, there is another advantage to the customers, viz., they can see the things which they want, examine their quality, and learn at once how the trade is coming out.

It is no longer a question of *finding* a man who has both the desire and ability to exchange certain required things, as at first. D has both this knowledge and the required goods in his own possession. D then puts out a different sign: "I help people trade by keeping on hand the things they want to get, by always knowing who wants what they wish to trade off, and on what terms such an exchange can be made."

Without changing its meaning, this sign is finally abbreviated so that it reads, "General Merchant."

D now keeps in his cabin substantially the same medley of things which most of us have seen in what is called "a country store." Direct barter between the colonists still goes on, but for several reasons a considerable number of persons come to trade with D. They do not know who else can supply their wants, and at the same time be willing to take pay in what they at that moment wish to part with. Even if they did know who was both willing and able to make with them the exchange desired, it might cost more in time, labor and other expense to go where that person lives than it would to pay D his profit.

A MERCHANT'S PROFITS ARE FOR INFORMATION.

In the foregoing sketch the causes, motives and circumstances which have made D at first a commission merchant, and afterward a merchant, are, in substance, the identical causes and conditions which first started, and have kept in motion, a large portion of the world's commerce. When trade is analyzed it appears that salesrooms, stores and shops

are essentially intelligence offices. The most successful keeper of one of these offices is the man who practically has the most industrial information to sell the public. The merchant should know what articles his customers want and what things they wish to give in exchange for them. He should also know who are able and willing to supply the goods desired by his customers, and what these persons are willing to take in exchange for what they furnish. It is also important that the relative value of all the goods he deals in, and the cost of their transportation and other expenses of placing them in the hands of consumers, should be known to the merchant.

When we go to what is ordinarily called an "Intelligence Office," we expect to receive special information and to pay a fee therefor. We do not usually recognize the fact that the charges which a merchant makes for his goods, over and above their total cost to him, are, in fact, fees for giving practical information to the buyers of those goods. It sometimes happens that the merchant exchanges his goods at a loss instead of a profit; he is then suffering from his own lack of knowledge in regard to present or prospective values when he made the exchange and got the goods which must be sold at a loss.

FAIRS.

In every age, all peoples and nations have been accustomed to gathering together in considerable numbers, at one time and place, for the purpose of getting the information which we have seen is so necessary to those who wish to barter one thing for another.

L may have something which he wishes to dispose of in exchange for a thing which M owns. M may wish to part with that thing in exchange for the precise article which L wishes to trade off. But so long as L and M do not know these facts, nor how to effect a meeting, an exchange between them is impossible. Hence commercial and industrial knowledge is the necessary forerunner of an exchange.

The same principle always holds good, no matter whether it be between two individuals or between two nations.

Until the invention of newspapers, fairs and market-places were the principal sources of acquiring a knowledge of each other's wants. The great fairs of Europe, which for centuries were such important events to nations, were chiefly gatherings of persons who wished to barter directly or indirectly with each other. Some money was used at these fairs, but comparatively little ; the exchanges were chiefly made in substance, like those aforesaid between A, B and C. To-day the merchant can take up his newspaper and study the markets in all quarters of the globe. But market-places still remain, and, although far less important than formerly, fairs of various kinds for the purpose of disseminating industrial and commercial information are still frequently held. A World's Fair is the latest mode of doing substantially just what our colonist shoemaker did in the manner aforesaid.

WHEN INDIRECT BARTER BEGINS.

Whenever A and B wish to exchange things with each other and for any reason are unable to do so without the intervention and aid of a third person, indirect barter begins. Shippers, merchants, salesmen and other kinds of middlemen are part of the machinery whereby the wants of A and B are supplied. The merchants of this country do not have facilities for carrying on a direct trade with South America, and the merchants of that continent have no means of directly trading with us. England has means for carrying on a direct trade with South America, and therefore she acts to a large extent the part of a middleman between parties who would be benefited by directly trading with each other.

We have now seen that indirect barter differs from direct barter only by the fact that it is not conducted by the producers and consumers, but by third parties who charge a fee or profit for so doing. We have also seen that this mode of trade begins at an early stage of the growth of society. Like direct barter, it is not peculiar to an uncivilized state and is

still employed to a great extent between citizens of the same country.

It maintains its hold on commerce for the same reason that direct barter does. Whenever it is cheaper or more convenient for men to exchange one thing for another without the use of money than with money, barter occurs. The presence of a third party does not affect the principle which makes barter probable.

FOREIGN COMMERCE IS BARTER.

An illustration of indirect barter on a large scale is constantly before us in the trade of this country with foreign nations. This vast commerce is carried on entirely by barter. Money is not used, for the simple reason that international money has yet to be made. Gold and silver are used to a small extent to settle balances of accounts. But those metals are used simply as commodities, just as copper, tin and quicksilver are. A pile of bricks is not a brick house, and the material from which money is made is not money. We have several times suspended specie payments, but this event did not interrupt foreign commerce for a single day,—it went on, as before, by barter.

The international commerce of the world is carried on by an indirect barter and not with money. Merchants send ships to distant ports laden with various kinds of valuable commodities. The ability of the master of such a ship to exchange his cargo for valuables on which a profit can be made in the home port, does not depend on his having gold or silver to buy them with. No matter what the cargo is, provided the foreigners regard its possession more desirable than goods which they already have, an exchange is readily effected. A ship may be loaded with flour, sugar, coffee, or hardware; and it may also carry some gold or silver. But when those metals are exchanged, the transaction is carried on just as if a keg of nails, a bale of cloth, or any other valuable thing was being compared with the value of some other thing and an exchange is made on the basis of the appraisal agreed on.

EFFECT OF DESTRUCTION OF GOLD AND SILVER.

The reason of barter between nations, and the use of gold and silver in carrying it on, may be illustrated by supposing the immediate loss of all the gold and silver in the world. Would trade be arrested by such an event? Not for a day. Different nations would still have different productions, and therefore an exchange of different goods would be required to supply their wants.

For example, Cuba would continue to raise sugar and would also want flour, carriages, hardware and other things just as she now does. Nations who do not raise sugar, and produce the things which Cuba needs, would have the same desire to trade with her they now have. An exchange of commodities would therefore be made just as at present. The only difference would be in the mode of making change, or settling balances when things of unequal value were traded. At present, gold and silver are used to a small extent for that purpose. If those metals did not exist, some other commodity would be so used, and greater pains probably taken to trade equal amounts of value so as to avoid the necessity of "change." The use of those metals even as commodities is therefore not a necessity of commerce, but often a convenience.

In the foregoing sketches of direct and indirect barter, reference to the use of money has been avoided as far as possible, in order to give the reader a clear idea of the mechanism of exchanges in which money is not employed.

We have seen that the ultimate object of human industry and effort is to supply wants and gratify desires,—that exchanges are made directly or indirectly for those purposes, and that the methods of making exchanges, and the means employed in conducting them, are all subordinate to this desired end. Having considered exchanges by barter without money, let us now dissect exchanges in which money is used and find out why we use it.

CHAPTER V.

Money.—Trade through a Third Person.—Trade through a Third Thing.—Ancient Kinds of Money.—The peculiar Use of Money.—Mechanism of Trading through the Medium of a Third Thing.—What Commerce is and how it Developed.—Difference between Barter and Exchange with Money.—Definition of the word "Money."—A Common but False Idea.—Some Debts can only be Paid with Coin.—The same Thing may have several Definitions.—Why Barter is often Impracticable.—Origin of the Use of Money.—Legal Tender Laws.—Effect of a Change in Value of the Legal Tender.—Legal Tender Laws Increase Value.—Development of Money.—A Poor Old Thing is Preferred to a Good New Thing.—What we can Reasonably Expect.—Bankers and Money.—An Irresistible Movement.

A full knowledge of the functions of money is possible only to those who clearly understand how trade is conducted without its use.

We have found that direct barter was the first mode employed by mankind to trade with each other. It has further appeared that circumstances often render it inconvenient or impracticable for mankind to trade with each other by direct barter.

We have also found that the second natural step in the progress of commerce is indirect barter: *i. e.*, to make exchanges through the medium of a *third person.* This brings us to the third commercial stage, which is the making of exchanges through the medium of a *third thing.*

These three ways of trading may be stated thus:

Simple Barter:	Two persons trade one thing for another, directly.
Indirect Barter:	Two persons trade one thing for another, through the medium of a third person.
Money or purchase and sale:	Two persons trade one thing for another, through the medium of a third thing; and, generally at the same time, also trade through the medium of a third person as well as a third thing.

TRADE THROUGH A THIRD PERSON.

To make the difference between these various ways of making exchanges as simple as possible, we will use an illustration.

F has a house and lot which he wishes to exchange for a ten-acre field owned by G. If F go in person to G and exchanges his house for G's field, that is direct barter.

If G refuse to trade directly with F, and then F employs a real estate broker, who, by various arguments, persuades G to exchange his field for F's house, that is indirect barter,—an exchange through the medium of a third person: to wit, the real estate broker.

TRADE THROUGH A THIRD THING.

Let us next suppose that F learns that G will not exchange his field for anything but its value in cows and oxen. Thereupon F exchanges his house for some cows and oxen, drives them to G's house and exchanges them for his field. This is a purchase and sale by the use of money. The cows and oxen are money, the third thing through which the trade was made.

The reader will observe that this exchange of cattle for G's field differs in one important respect from a case in which a neighboring farmer should have more cattle and less land than he wanted, and therefore should exchange some cattle for a field. That would be barter. But F exchanged his house for the cattle with the express purpose of temporarily obtaining a medium whereby his house could be changed into a field. G accepted the medium, and therefore the cattle were money. In effect, F melted his house down and ran it first into the mold of oxen and cows; then he melted the cattle and ran them into the mold of a field.

ANCIENT KINDS OF MONEY.

As cows, oxen and other domestic animals have been used as money for thousands of years, F has not been an inno-

vator in doing as he has. The wealth of a person was formerly computed and stated in this kind of money. The Bible does not inform us how many thousand pounds, or dollars, Job was worth, but it says:

> "His substance also was seven thousand sheep, and three thousand camels, and five hundred yoke of oxen, and five hundred she-asses, and a very great household; so that this man was the greatest of all the men of the East."

In England, for a long time, cattle were the medium of exchange; and the laws provided severe penalties against those who mutilated cattle,—not simply because private property was thereby injured, but because of the additional crime of injuring the public money. These enactments were similar to those now on our statute books against clipping coins. It is only about two hundred years since cattle were a legal-tender money in this country.

THE PECULIAR USE OF MONEY.

Money has several different uses. It is used for exchanging, comparing, computing, dividing, storing, and transporting values. But the peculiar and essential function and use of money is to help mankind make exchanges and compare the value of one thing with that of another. How money can take the place of a third person; how an exchange of two things can be made by converting one or both of them into a third article, and then exchanging this third article for the desired object; and how money is used as a help and guide in comparing values, must be clearly understood before any definite conception of the various currency problems is possible. At the risk of being tedious, I will therefore use further illustrations as an aid to the reader in thinking these matters slowly over.

MECHANISM OF TRADING THROUGH THE MEDIUM OF A THIRD THING.

A farmer wishing to get a pair of shoes, goes to the workroom of a shoemaker, and seeing a pair to his liking, asks their owner if he does not wish to make an exchange and

take some farm products for his shoes. A conversation ensues, in which it transpires that the shoemaker wants three sheep skins to give the tanner for some leather. Therefore the shoemaker offers to trade his shoes for sheep-skins. The farmer has no sheep skins. He then goes home, and knowing that his neighbor S has sheep skins to spare, he goes to his house and tells him that a certain shoemaker has a pair of shoes which can only be got by a man having three sheep skins to give in exchange. The farmer then inquires if S will not take the skins to the shoemaker and get the shoes, and concludes by saying that after that is done he will trade with S for the shoes. S replies to the farmer by saying that as the shoemaker wants to see a third thing, instead of a third person, it is unnecessary for S to take the skins to the shoemaker. Whereupon the farmer barters a pig for the sheep skins, takes them to the shoemaker and trades them for the shoes. After getting the skins, the shoemaker exchanges them with a tanner for some leather.

The farmer has now exchanged a pig for a pair of shoes; that is, the shoes are the final result of his trading off the pig. The skins were the third thing which served as a medium of exchange. The skins were money. They were the temporary form into which the farmer changed his pig, and the shoemaker changed his shoes. When this form was finally changed, the farmer had his shoes and the shoemaker had his leather.

The reader will observe how the money helped the different parties to this trade to compare values. When the farmer gave his pig for skins, he knew that they would buy the shoes; therefore the exchange was merely a mode of comparing the pig with the shoes. It was, in substance, the same as if the pig had been put in one side of the scales, and the skins, labeled: "These are equivalent to a pair of shoes," put in the other side. In like manner the shoemaker, when he gave the shoes for the skins, virtually gave the shoes for the leather, thus comparing the shoes with the leather and adjudging them to be of equal value.

It should steadily be remembered that all comparisons of value are an exercise of the judgment. By using money, in many cases, it becomes easier to compare the value of one thing with another, because we thus simplify the matter, and steady our judgments by diminishing the number of things to be borne in mind at one time. Thus in the last foregoing case, when the farmer bartered his pig for the skins, they really shortened the distance between the pig and the shoes, because the farmer knew that the effect was the same as if he were comparing his pig directly with the shoes.

Here, too, by using skins as money, no new thing has been done, as the skins of animals from time immemorial have been used as money. In some localities skins are still current money.

The reader will here observe that we are not now considering what is the best *kind* of money, but are merely speaking of the uses of money, using the term "money" in a general sense. No one can intelligently talk about the "best kind" of plows until he knows just what a plow is, what object is accomplished by it, how it is used and why it is used. In like manner, before the relative merits of different kinds of money can be considered, *what* money is used for, and *how* and *why* we use it must be understood.

WHAT COMMERCE IS AND HOW IT DEVELOPED.

The trade of the world appears a very complex matter. But in reality it is all nothing but a multiplication of three things. First, a trade directly between A and B. Second, a trade between A and B through the medium of a third party, C. Third, a trade between A and B through the medium of a third thing, called money.

The art of commerce, like the great majority of other arts, has developed very slowly through a long period of time. Many things which now appear very simple were only learned by the united efforts of a multitude of minds acting for century after century. The primitive idea of using something as a medium of trade, appears to have been to compare a third thing with one of two objects sought to be

exchanged, and if this third thing were judged to be of the same value as one of the things to be traded for something else, then to use this third thing as money, with little reference to any other consideration than its presumed equality of value with a certain other thing. The fact that this money was bulky, or undesirable in other respects, was subordinated to the central idea of obtaining an equality of value. After a long time, by successive and painful steps, mankind discovered that it was both desirable and practicable to have money that was divisible, compact, portable and imperishable. This led to the use of iron, copper, tin, silver and gold as money. Lastly, it has been learned that representatives of value can be used in making exchanges just as effectively, and far more cheaply, than the ancient kinds of money. To us who are accustomed to using representatives of value, and to seeing large amounts of property transferred from one man to another by the transfer of a few small pieces of paper called checks or drafts, it is somewhat difficult to think of the payment of a dozen oxen, or a thousand bushels of corn, as a money transaction. We are apt to think of it as barter.

DIFFERENCE BETWEEN BARTER AND EXCHANGE WITH MONEY.

The character of an act does not depend on the kind of instruments used in performing it. Murder may be committed either with a gun or a bread-knife. The character of an act depends on the circumstances under which it is committed,—on the thoughts which directed a certain course of conduct.

In like manner the principles involved in a trade do not depend on *what* is exchanged. Whether a certain transfer of property is a barter or a money transaction, depends on the *manner* in which the thing or things which effect it is used. Therefore the essence of a bargain in which a sack of salt, a dozen beaver skins, a wheelbarrow full of copper dollars, or a yoke of oxen is used as an aid in comparing values, and as a medium of exchange, is precisely the same as the

essence of a trade in which gold or silver coins, or legal-tender paper notes are used as a medium of exchange.

For example: a roof is the cover to a building. It may be nearly flat or very steep; it may be composed of wood, metal, or other substances; but no matter what its form or material, if it perform the essential function of covering a building, it is a roof. It is not the material nor shape, but the purpose and intent which it carries out which determines its definition. A thing is bartered when it is exchanged without being used as a third thing.

DEFINITION OF THE WORD "MONEY."

If the foregoing have been carefully read and thought over, the definition of the word "money" is already in the reader's mind.

Whatever two persons agree shall be transferred from one to the other as a medium of exchange, and as an aid in comparing and computing values, is *money* in the full sense of the term, as between those two persons.

Whatever an entire community agree shall be transferred from one person to another as an aid in comparing and computing values, and as a medium of exchange, is *money* in the full sense of the term, in that community.

Whatever a nation consents to transfer from one person to another as an aid in comparing and computing values and as a medium of exchange, is *money* in the full sense of the term, in that nation.

The aforesaid definitions explain how a thing can be money in one part of a country, and not be money in another portion of the same country. This was exemplified on a large scale in the United States during, and for several years after, the civil war. Greenbacks were then money in the Northern States, but in California they were generally merely a commodity, simply because the citizens of that State did not agree to receive and use them as money. During the war, by agreement of the people, Confederate notes were money in the territory held by the Confederate armies. But in the Northern States the peo-

ple did not agree to use those notes, and therefore they were not money in the North.

The distinctions in the aforesaid definitions also show why things which pass freely as money in one nation, cease to be money as soon as they pass the frontiers. Mankind have not yet emerged from barbarism and ignorance sufficiently to render possible the creation of money which shall pass current and unchallenged in any quarter or section of the globe. But it seems as if there ought to be intelligence and morality enough in a few of the leading nations to enable their governments to create an international money, as between the citizens of those nations.

A COMMON BUT FALSE IDEA.

Let us here interrupt our discussion of the uses of money long enough to consider a statement which is commonly supposed to be highly "scientific." This idea is that, "nothing is money but gold and silver coins."

As Lincoln used to say, this reminds me of a story. A man went to a lawyer, and after stating his case inquired: "Can a man sue me for doing thus and so?" The reply was: "Certainly not." The lawyer was then asked: "But if he should sue me, could he recover judgment?" The answer was: "No, he could not—he would have no right to sue you, and therefore could not get judgment." The inquiry was then made: "But, if he should sue me and get judgment, could execution be issued and the judgment collected?" To this the answer was: "Oh, no! Such a judgment would have no validity, and could not be collected." Whereupon the client burst out: "What nonsense! You tell me it cannot be done, but I tell you it has been done. I have been sued, judgment against me has been given, and, worst of all, the sheriff has collected it."

In like manner, a plain man can say to the self-styled scientist: "A great number of things besides gold and silver have been money for thousands of years, and enormous amounts of property have been bought and sold with them to the satisfaction of all parties. Why, then, say that it

is impossible to do what we all know has been done so often and for so long a time?"

Much mental confusion has arisen in consequence of not distinguishing the difference between money and the material from which it is manufactured, and of which it consists. This comes from the prevalent mistake of not testing money by the same rules we apply to everything else. All other things we name by *what they actually are* and not by what they happen to be made of.

For example: we usually apply the term "house" to a shelter and home for human beings. A home and shelter for human beings is therefore a house, no matter what its size, nor of what material it is composed. It may be made of a great variety of materials, but it has the same name, and in essence is the same thing, when built of rough logs as when made of the finest hewn marble. Houses are frequently built of wood, but a pile of wood is not therefore a house. In these respects, what is true of houses is true of money. Money is frequently made of gold and silver, but a lump of gold or silver is not therefore money. Those who say that nothing is money unless made of those metals might, with the same propriety, say that nothing was a house unless built of hewn stone. Money can be made of a great variety of materials, just as houses can. The test as to what constitutes a house is the object and purpose effected by a building, viz., furnishing a home and shelter for human beings. The test as to what constitutes money is the special object and purpose which a certain thing generally effects, viz., the transfer of property and the payment of debts by being passed from hand to hand without indorsement or other formality as a medium of exchange, and a help in comparing the value of one thing with that of another.

If paper money be not money, then the United States carried on a vast war for four years, and transacted an enormous domestic commerce for sixteen years, almost entirely without money. England also carried on business

from 1797 for about twenty years almost entirely without money.

The false notion that nothing but gold and silver coins are money naturally leads its believers into the error of supposing that valuable things of various kinds cannot really be bought, sold and paid for, without using those coins. Furthermore, such persons tell us that debts cannot be paid without gold and silver coins. But the simple fact is that mankind bought and sold valuable property of various kinds for centuries before coins were invented. In recent times, countless millions of debts have been paid to the satisfaction of all parties without using gold or silver in any form. Furthermore, payment of debts without the use of any money is constantly taking place. The large debts continually being paid by the merchants and bankers of one country to the merchants and bankers of foreign countries are canceled without using money at all. Payment is made with various commodities. Of these commodities the raw material from which much money is made —viz., gold and silver bullion—forms comparatively a very small portion.

SOME DEBTS CAN ONLY BE PAID WITH COIN.

The error of supposing that debts cannot be paid unless gold or silver coins are given and received, has probably arisen from not noting the distinction between an ordinary debt and a specific contract. When a man specifically agrees to deliver as payment of a debt a thousand bushels of wheat, a thousand silver dollars, or any other definite and specified thing or things, he can properly discharge that obligation only by paying the exact thing, or things, named in the contract. But the vast majority of debts are not specific contracts. This is illustrated by the different kinds of United States bonds. The major part of those bonds are payable "in coin of the standard value of the United States on the 14th day of July, 1870." This is a specific contract, because certain things are defined which can, and must, be given in payment; to wit, a silver dollar,

nine-tenths fine, weighing 412½ grains, or a gold dollar, nine-tenths fine, weighing 25 8-10 grains. The United States have the right to choose whether they will pay in one or the other of the said coins. But beyond the choice between a silver or a gold dollar, they have rightfully no choice. Unless the creditor agree to receive it, they cannot pay in legal-tender paper of any kind whatsoever without breaking their contract. Hence all bonds issued by virtue of said act should be paid as agreed,—in coin of the standard value of the date referred to.

But a portion of our Government bonds are payable in "lawful money." These are called the "currency bonds." Payment of these can be made in whatever is legal-tender money when they fall due. Therefore the currency bonds are not specific contracts, because there is no definite specification beyond the requirement that the money paid shall have a legal-tender quality.

All obligations in which the agreement is that a certain number of dollars shall be paid at a given time, without any specification in regard to what those dollars shall consist of, are payable in whatever dollars are legal tender when the debt falls due. This is so, simply because both parties to the contract have therein agreed to give and receive such dollars as money; and, whatever a debtor and creditor agree to use as money, is thereby converted into money, as between those two persons.

THE SAME THING MAY HAVE SEVERAL DEFINITIONS.

Many definitions depend, not on the qualities of the thing itself, but on the manner in which that thing is used. Thus, a stick three feet long, and an inch in diameter, is a staff if used as a support, a club if used for striking a blow, and a yard-stick if used for measuring length. No matter what definition may ordinarily be attached to a thing, whenever it is used as a medium of exchange and as a help in comparing and computing values, it is then properly defined as MONEY.

Hoping that the definition of money has been made suffi-

ciently explicit, we will now resume consideration of its uses.

WHY BARTER IS OFTEN IMPRACTICABLE.

Theoretically, there are no obstacles to carrying on all trade entirely by barter. For every man who wants to *give* a certain thing in exchange, there is always a person who wants to *receive* that certain thing in exchange. Why then not promote the meeting of those two persons, in order that they may barter and save the cost of money? There are several answers to this question. One of them is the practical difficulty which frequently occurs of effecting a meeting between two persons whose commercial desires are exactly opposite; viz., A wants precisely the thing which B wishes to dispose of; and B desires just what A wants to give in exchange. For example: a farmer needs a tooth drawn, and wishes to give in exchange for the desired service a bushel of turnips. In this case the farmer's desire is to *receive* a definite service, and to *give* a bushel of turnips. If he should find a man competent and willing to *give* the required service and *receive* the turnips in exchange, then the trade could be completed without the use of money. But while there is no doubt of the existence of a person skilled in drawing teeth who wishes turnips for his pay, the farmer might have to suffer toothache for some time, if he waited until such a man were found.

Money is used because a man who will work for money is more easily found than one who will take pay in turnips.

At first sight a combination of precisely opposite wants in two persons appears easy to find. But in fact it is often impracticable. When the kinds of labor and the number of articles of commerce were very few and simple, it was an easy matter for a man to find his commercial opposite. But the steady growth of a great diversity of employments, and the creation of a multitude of different things, have produced such numerous and complex desires, and real and fancied wants, that it is yearly becoming more and more difficult to supply those desires and wants by barter.

Money is therefore used as a means whereby one man's *desire* to give in exchange is converted into an *ability* to give in exchange just what the man wants with whom a trade is desired. How money is employed to transform *a desire to trade* without the ability into a combined *desire to trade and an ability to do so,* let us show by an example.

Suppose the last-mentioned farmer had gone to several dentists and found them all unwilling to take turnips in pay for drawing his tooth. Finally, he goes to a dentist who also refuses to work for turnips, but incidentally says that he would take some fresh eggs in payment for his services. Whereupon the farmer goes to a market-place and sells his turnips for some fresh eggs. He then takes the eggs to the dentist and completes the bargain.

In this case, the principle involved is precisely the same as if the farmer had exchanged his turnips for a silver coin instead of eggs. The eggs were money. They acted as a medium of exchange by making a coincidence between the thoughts of the farmer and the desires of the dentist, that is, the eggs made the farmer and the dentist think alike. After the farmer got the eggs he had the ability to *give* just what the dentist wished to *receive.*

As eggs have been used to a considerable extent as money, nothing new is presented in the foregoing example. The reader will here carefully observe that the obstacle to a trade between the farmer and the dentist was removed by making the commercial wants of one man precisely the opposite of those of the other. Their wants then resembled a mortise and a tenon,—one fitted the other. This was effected by the farmer exchanging turnips for eggs. Turnips are a useful commodity, wanted by a considerable number of persons, but they are not nearly as generally desired as fresh eggs are. The completion of the bargain between the farmer and the dentist was therefore brought about by one of the parties to the transaction first changing his ownership of a thing which is wanted by comparatively few persons, into the ownership of a thing more generally wanted.

ORIGIN OF THE USE OF MONEY.

As we have reason to suppose that the natural laws now in force have always operated on the human race, the foregoing train of events shed light on the origin and continued use of money. Sometime in the misty past, our ancestors discovered that some articles were more universally wanted than others. They next observed that a man who possessed an article which was generally wanted could more easily make exchanges and supply his wants than a man who owned a thing which was not generally wanted. It was then found that a man owning a thing desired by a comparatively small number of persons, by directly or indirectly trading with one of that small number of persons could exchange that thing for something wanted by a large number of persons. It was next noticed that the attention of mankind was gradually becoming directed to the advantage of owning things which were generally wanted, and that this fact made such things more sought after, and consequently more valuable. Finally, long continued experience taught the whole community that certain desirable things could always safely be taken in exchange for what was disposed of, simply because those desirable things could readily be used for making another exchange.

Those desirable things were thus converted into money by being generally used as a medium of exchange. Before the discovery that ships could sail from Europe to the Indias by passing around the Cape of Good Hope, pepper was brought from India to Europe over land on beasts of burden. As pepper was difficult to obtain, and much used, it was considered a very desirable thing to own, and was therefore generally wanted. It had the advantage of being portable, comparatively imperishable and easily divided into parcels of different size and value. Consequently, pepper was used to a considerable extent as money for a long time.

Mankind undoubtedly existed a long time before the metals were used for any purpose whatever. After the art

of working metals was learned, their service for both utility and ornament created a demand for them until finally they became generally wanted. After the fact that they were generally deemed desirable was fully established, only one more step was needed to convert them into money. Iron, copper, tin, silver and gold have thus all passed through the various stages of discovery ; a test of value for ornament, or use ; a growth of demand until generally wanted ; and finally, a conversion into money.

LEGAL-TENDER LAWS.

Whenever a thing, by habitual use, is adopted by a people as money, one more step takes place as that people advances in civilization. That is, the enactment of a law making the use of a thing which was previously voluntarily used by most persons, compulsory to all in some cases. Such is a legal-tender law. It defines what shall be money and compels all persons who owe value to pay it in a certain thing, which the creditor is also compelled to receive.

A legal-tender law does not directly compel a man to sell his goods for what is declared a legal tender. It merely compels him, after having so sold them, to receive the specified legal tender in full payment of his claim. But this fact sometimes has a powerful influence in determining whether an owner of certain goods will sell them or not. If he decide to sell them, the practical operation of the legal-tender law is to influence the price which will be asked for the goods.

Making a thing a legal tender changes its status relative to other things in one important respect,—a quality is thereby conferred on it not possessed by other things ; viz., a debt-paying power at a specified price. Any valuable thing can be used in payment of a debt, provided the creditor will accept it at a satisfactory price to the debtor. But a legal tender, *for the purpose of paying debts*, has a fixed price at which it must be paid by the debtor and received by the creditor. Thus, at present in this country the legal price of 25 8-10 grs. of standard gold is one dollar, and the legal price of 412½ grs. of standard silver is one dollar. In

1870, the raw materials from which these two kinds of dollars are made were about equal in value. The gold dollar has a far greater value now than it then had; but, for debt-paying, it is still only one dollar. The silver dollar has not advanced in value as much as the gold dollar; but it too has a greater value than it had in 1870. But the fact that the silver dollar is worth more to-day than either the silver or the gold dollar was in 1870 does not make it any more efficient in paying debts,—it is still only one dollar. For all other purposes than paying old debts both the gold and the silver dollar are far more valuable now than fifteen years ago.

EFFECT OF A CHANGE IN VALUE OF THE LEGAL TENDER.

The evidence of this is the fact that more property of all kinds can be bought with them now than then. Consequently more property must be *given now* to get possession of them, and therefore their rise in value makes it harder for the debtor, and increases the wealth of the creditor. When paid, the creditor gets the same number of dollars originally agreed on, but each one of them is worth more than formerly, and the debtor is bound by the legal-tender law to pay, not simply the amount of value received when the debt was created, but the NUMBER of dollars called for *in the legal-tender money*.

The aforesaid considerations show why affixing a legal-tender quality to a thing gives it one positive and fixed use and value not before possessed. When the legal-tender quality is spread over a great number and amount of things —as when wheat, corn and cattle are made legal tender—the value of each one of those things is not appreciably raised thereby. But when the debt-paying power is limited to articles small in number and amount, as in case of making gold and silver sole legal tenders, it then has a great influence in raising their value. The value of those metals compared with all the other property in the world is very small. Furthermore, their total value is very small compared with the total amount of debt existing in the world.

Making a law which compels the payment of all debts in gold and silver, therefore, enormously increases the use, the demand for, and the consequent value of, those metals.

In the first place, a great demand for them arises for coinage purposes. Secondly, the use of a metal for making legal-tender money affects its value for other purposes besides the scarcity occasioned by its coinage. An uncoined metal, which when coined is a legal tender, has at all times a royal prerogative over other metals and other kinds of property. It is the debt-paying metal, the representative of wealth and the symbol of pecuniary resources. When used in the arts, or for ornament, it is not simply a valuable metal—it betokens that the owner is rich enough to melt a part of his money, and use it where cheaper material is commonly employed.

Remove the legal-tender quality from a metal to which it was once attached, and not only is its use for coinage destroyed, but, in other respects, its value is impaired. Its prestige is gone; it is no longer a royal metal with powers beyond others; and as a result of this, when used in the arts it does not supply the requirements of those who wish to make a luxurious display of their wealth. Silver plate is not as highly esteemed as when silver was a full legal tender. Thus we see that the value of gold and silver, to a considerable extent, is created by selecting them as the materials from which to make legal-tender money.

We have now considered how money facilitates exchanges, by first helping one man to get just what the man with whom he wishes to trade wants to receive. The examples recently given may seem very simple, but the student must remember that these very plain things are the key to what are usually called "obscure questions." Let us carefully clear away the underbrush so that we can more easily chop the large trees. A clear grasp of simple elementary principles makes a person master of the "difficulties" of finance.

DEVELOPMENT OF MONEY.

Perhaps the use of money can be better understood by considering the order in which different kinds of money have been invented and adopted by mankind; and, after being used a long time, have slowly become obsolete in a succession the reverse of that by which they were first employed.

We have seen that various articles have come into use as money because experience taught mankind that they were generally wanted; and that this demand arose from an acquired belief that such articles were uncommonly desirable and valuable. Furthermore, we have seen that the primitive idea of a medium of exchange was something valuable and generally wanted, with little reference to other desirable qualities which should be possessed by money. The value of grain, oxen, bales of wool, slaves and other inconvenient kinds of money was not estimated simply by their utility as a medium of exchange, but by their usefulness for other purposes. After a long time, the idea dawned upon our forefathers that money should possess other desirable qualities in addition to those aforesaid. This led to the use of copper, iron, tin, silver and gold, in form of dust, or rough pieces for money. After the metals had thus been used as money for a long time, another idea occurred to our astute fathers, viz., the idea of melting the metals into pieces of convenient size for counting and handling. These were used a long time, and then another idea appeared, viz., that of stamping or marking the pieces so that their relative value could more readily be estimated. Still another lapse of time was necessary before metals were converted into rude coins with an image and superscription thereon. After another long period, the mechanic arts were developed sufficiently to render possible the creation of the beautiful coins of the present day.

After the metals had been converted into coins bearing the stamp of the sovereign power, mankind discovered that pieces of paper, as representatives of coin, could be used as

money more conveniently than the coins themselves. Besides a multitude of lesser details, the present form of bank-notes has passed through three distinct periods of growth. The first idea appears to have been to deposit valuables in a bank for safe keeping, and to have their value ascertained and registered in a book kept at the bank. The owner of these valuables then had a bank credit which he used as money by transferring it, with considerable formality, to another person. Next, a certificate was given to the depositor, payable only to him or his carefully authenticated heirs, successors or assigns. Then one step more was taken by issuing certificates, payable to bearer without indorsement or other formality.

Finally, after all the foregoing stages of the development of money had been wrought out, despite the clinging of our race to traditional ideas, habits and prejudices, appears the crowning triumph of common sense applied to finance,—legal-tender paper money, difficult to counterfeit and limited in amount.

The teachings of history in regard to the growth of financial ideas are conclusively verified by the fact that in different quarters of the globe all the aforesaid stages of development exist to-day. Every portion of the financial progress through which we have passed is now substantially typified by the commercial thoughts and habits of some nation or tribe.

Even within the limits of the United States, nearly all the aforesaid stages of the development of a uniform tendency to make exchanges in the easiest way, and a growth of knowledge that convenient money is just as good as inconvenient money, are exemplified by money now in use. We have the greenback as the most desirable kind of money. Next lower in the scale stands the national bank-note as the type of representative paper money. The era of beautiful coins of metal is shown by our gold, silver and nickel coins. The era of cumbrous, inconvenient coins is symbolized by the few old-fashioned copper cents which still remain in circulation. The use of bars of bullion as money recalls

another age. The employment of gold dust and nuggets of gold as money reminds us of a still more primitive epoch of human history. Finally, the earliest kinds of money are literally exhibited by those Indians who still use skins, ponies and kindred things as money.

Usually, the monetary ideas of a community or nation are a correct index of their intellectual growth and culture in all other respects. This is significantly shown by the conduct of the emigrants who land at Castle Garden. Just in proportion to their ignorance, those persons eagerly desire heavy and inconvenient metallic money in preference to national bank-notes or greenbacks.

An improved form of money is adopted by a nation only when a considerable portion of its people become sufficiently intelligent to appreciate it. Money must be adapted to the mental stature of those who use it; hence no sudden change from an inferior to a superior kind of money is ordinarily possible, because the growth of monetary ideas is simply a reflection of the progress of public intelligence in all other respects. A long forward stride was taken by this country when greenbacks and national bank-notes superseded State bank-notes. But in reality, this was not an exception to the aforesaid general law. For a long time the American people had suffered great losses and inconvenience from State banks, and thus had gradually been prepared to welcome a uniform national currency. Notwithstanding this, national paper money was strenuously resisted by capitalists, and its speedy introduction was only accomplished by the pressure and exigencies of a terrific civil war.

A POOR OLD THING IS PREFERRED TO A GOOD NEW THING.

The proclivity of mankind to prefer an old inferior article to a new superior one, and the wonderful vitality of a human habit which has once been fully established, are illustrated in nothing more strikingly than in their conduct in regard to money. In all ages and countries, every im-

provement in money has been obstinately resisted by the great majority. The old kind of money was better understood, and therefore was preferred to the new. When a new form of money was invented, it merely added at first another name to the list of moneys in use ; the old kinds of money were not superseded, but continued in use side by side with the new money. From the time when the first improvement in money was made, down to the present, the same process has been going on. Several kinds of money have been simultaneously in use; the best kind of money very slowly gaining ground, and the inferior kinds of money slowly passing out of use. What was at first a monetary innovation, looked on with distrust, in course of time became an old kind of money endeared to the people by long familiarity. The choice of the people then lay, not between a new and an old kind of money, but between two old kinds of money,—the elder of the two inferior to the other. Then a new form of money appeared, destined to pass through the same gradual process of adoption as its predecessors. Meanwhile, the primitive kind of money had slowly fallen into disuse by reason of an increased employment of the second kind of money. In like manner, the second kind of money slowly faded out of use because the third kind of money was gradually taking the first place in the estimation of mankind.*

Step after step the aforesaid processes have gone on, cent-

* The foregoing sketch of the history of money is not, and is not intended to be, chronologically correct. It simply shows the successive steps by which monetary knowledge has developed, when viewed from its lowest stage to its highest, without any reference to what took place in the intervening periods of time. Financial, like all other kinds of knowledge, has followed a line of alternate progress and recession. The fact that the value of a unit of money, as money, depends on the number of those units in circulation and not on the materials of which it is made, was known and acted on thousands of years ago by the foremost nations of the world. But this fundamental principle has repeatedly been lost sight of, and the result has followed which inevitably flows from the adoption of false premises ; viz., a confused and erroneous mode of reasoning and action.

ury after century, until the financial ideas of the world have reached their present form. How very slowly and imperceptibly we have traveled is shown by the fact that all the gradations of money, from the primitive up to the highest form, are in use to-day. Moreover, the highest form of money now in use is much smaller in amount than that of other and inferior kinds of money.

The past reflects inversely the image of the dawning future. Nothing can check the further development of financial methods, and an extension of the knowledge which will enable us to make a better kind of money than any we have thus far had, but a check to the progress of human intelligence.

WHAT WE CAN REASONABLY EXPECT.

In all probability, future progress will resemble that of the past, and be so slow as to be perceptible only by comparing one long period of time with another. The people of this country will be likely to advance more rapidly than those of any other. We are now quite rapidly changing our national habits of thought in regard to money. The use of paper certificates instead of gold and silver coins is increasing, and the people are learning that a twenty-dollar silver certificate is far more convenient than a twenty-dollar gold coin. Public opinion is slowly but inevitably gravitating toward favoring the abolition of national bank-notes and their replacement by an improved kind of greenbacks.

During the ten years just past the financial branch of the United States Government has been largely controlled by men who, from ignorance, from a desire to aggrandize a small class, or from both those reasons, have been steadily trying to reverse our natural progress toward the best and most convenient money. Persistent efforts have been, and are still being made, to compel the use of gold and silver, by a people the majority of whom, if allowed to follow their own instincts and convenience, would not use either one of those metals. Fractional paper money has been withdrawn, silver certificates limited, and the number of one

and two-dollar bills curtailed, for the purpose of preventing the people from using the kind of money they prefer.

BANKERS AND MONEY.

It is frequently said, "Bankers know most about money because they do nothing but handle it." But a little reflection shows that a man may "handle" certain things all his life and still be entirely ignorant of the scientific principles relating to them. Thus a man may handle stones all his life and not know anything about geology. A life service as a butcher does not imply a knowledge of comparative anatomy. A dealer in chemicals does not consequently understand the science of chemistry. Handling iron, copper, lead, and other metals does not teach a knowledge of the science of metallurgy. Many other illustrations similar to the foregoing could be adduced, all showing that those whose daily occupation is to "handle" a particular thing are almost invariably ignorant of the primary facts and principles relating thereto. Bankers are not an exception to this general rule.

AN IRRESISTIBLE MOVEMENT.

The American people have not advanced far enough in intelligence to dispense with gold and silver as a necessary portion of their monetary system. But the majority have arrived at a stage of progress which precludes them from desiring to directly use either of those metals as money. They believe gold and silver should be locked up in vaults as "a basis for the issue of paper money." But carrying around any kind of metal in pockets, as money, is every year regarded more and more as an inconvenient relic of barbarism. The natural development of the use of paper money has been temporarily thwarted. But all movements are irresistible whose impelling force is the steady unfolding of human intelligence.

Improvement in the machinery of commerce, like all other manifestations of human progress, resembles the coming of warm weather. When February is past, the temper-

ature does not rise steadily day by day, but moves upward in an irregular and intermittent course. Even when April has arrived, a reaction often occurs, of weather so severe that we should imagine midwinter was returning, if experience had not taught us otherwise. As the past progress of mankind has moved along a zigzag and irregular line, we have every reason to presume that future achievements will follow a similar course. Periods of apparent stagnation, and even of actual reaction toward barbarism, will inevitably occur. But despite all discouragements, the tendency is steadily toward wiser and better methods, in financial as well as in all other fields of thought and action.

CHAPTER VI.

Origin of Prices.—Primitive Mode of Stating Prices.—Need of Comparing all Things with a Few Things.—Money of Account.—A Price is always a Mode of Comparing one Thing with Another.—A Money Price is always a Numerical Comparison.—Antiquity of Numerical Comparison.—Fractional Money.—Primitive Mode of Making Change.—Division of Values one Function of Money.—Money of Account, resumed.—How Value is Expressed.—What happens when Specie Payments are Suspended.—Money of Account would Survive the Destruction of all Other Money.—False Predictions.—Weight of Coins is seldom Considered.—Rise and Fall of Prices.

Statement of a price is a mode of exchanging thoughts. Thought is exchanged first and things afterward.

We have sketched the manner in which certain things originally came to be used as money. We have also traced the order in which improvements have been made in the things used as money, and in doing this, have found that several things have always, at the same time, been used as money. The next step in studying this subject is to ascertain how it has been made possible for mankind, in the midst of such a diversity of money, to learn each other's ideas of the value of a given thing, and to state the ratio in which one thing should be exchanged for another.

The first step in every bargain is to estimate and compare the value of one thing with that of another; and although this may be begun by one or both parties independently, it is always completed by directly or indirectly talking with each other; *i. e.*, the parties to a trade exchange *thoughts* before they exchange *things*. Therefore, a necessary preliminary of all bargains is an ability of those who desire to make them to communicate clearly their thoughts to one another. At present, we possess a means of easily conveying our ideas of value to those with whom we desire to trade, and we are

now considering what that means is, and how we acquired it.

To make the answer to the above questions easier, let us conceive a market-place frequented by a community with the most primitive ideas of commerce. We first observe a number of persons possessed of different things which they wish to exchange, and find among these persons a variety of opinions in regard to the proper mode of stating the value of a thing.

One man would say his goods were worth so much grain. Another would name the value of his wares in meat; and another would name a certain number of sheep skins as the worth of his goods. Naming the value of goods in a variety of ways would make it difficult for the different persons in the market to exchange thoughts and compare ideas.

In other words, a number of persons wish to trade with each other but they have not yet invented a commercial language by means of which one man's opinion of the value of his goods can be so stated that all other men in the market-place will readily understand him. We are now trying to learn how a universal mode of stating values was arrived at, and how all persons came to understand it.

PRIMITIVE MODE OF STATING PRICES.

Let us first see what a man would naturally do who was without a knowledge of the commercial processes which are so familiar to us that we use them unconsciously. Obviously, he would name the value of a thing which he wished to dispose of, by the thing or things which he wished to get in exchange for it. If a man possessed of a horse that he thought was worth as much as two cows, and which he wanted to exchange for two cows, were asked the value of his horse he would naturally say, "Two cows." A man with `seven calves which he wished to exchange for a cow would naturally name a cow as the worth of his calves. A man with fifty bushels of wheat which he wished to exchange for seventy-five bushels of barley would be likely to state the value of his wheat at seventy-five bushels of

barley. Similar statements of value would be made by persons possessed of other things, and the result would be a confused medley of language in regard to values, and considerable trouble in making exchanges, even in a market-place where a comparatively limited variety of things was offered in exchange. Where only three or four different things were for sale or exchange, a mutual understanding could easily be reached. But the difficulty of making appraisals of value and making exchanges would increase with each additional thing offered for exchange.

This difficulty would arise from the defective manner in which the indispensable prerequisite of every bargain—viz., an interchange of thoughts—was conducted. The language of two persons may be alike in other respects and unlike in regard to commercial matters. Two persons cannot readily exchange ideas with each other unless they both apply a similar meaning to the same words or phrases. Furthermore, statements which require reflection and computations to interpret them do not convey commercial information with sufficient rapidity, clearness and precision to meet the wants of the multitude who wish to exchange things with each other. Consequently, to a large extent, the different persons in the aforesaid case who wished to trade would not be able to make themselves perfectly understood by each other, and, as a necessary result, the relative value of different things—the ratio in which one thing should be given for another—would be arrived at with great difficulty.

NEED OF COMPARING ALL THINGS WITH A FEW THINGS.

Even a person possessed of our present facility of estimating values, and computing and changing the value of one thing into that of another, would be somewhat puzzled if, on taking a walk through a business street, he should ask the price of a stove and be told, "Ten sheep skins." He would be still more perplexed if he asked the price per yard of certain cloth and were told, "A dozen eggs;" or, if he asked the price of a hat and were informed that it was very cheap at the price, viz., "A four-weeks-old pig."

His knowledge of commercial arithmetic would be still further drawn on if he asked a laborer in search of employment how much wages he asked per day, and should be told, "A bushel of corn;" or, if he asked the price of a dressed sheep, and was informed that it was worth "two bushels of wheat."

The foregoing example may seem queer, but we must remember that it illustrates, in substance, precisely the difficulties which our ancestors once had to contend with. The reader will note that the perplexity of the aforesaid inquirer of prices arose chiefly from the fact that no two persons who offered goods for sale compared them with the same thing, and consequently the buyer failed to readily understand the comparative amount of value which was meant by the various statements of price.

When a person puts a price on a thing, he thereby states that in his opinion the value of that thing is equal to the thing named as the price. If a man mark two dollars as the price of a hat, that is equal to saying: This hat is worth as much as two dollars; or, This hat is the price of two dollars.

If all the aforesaid persons who were asked the value of their goods had stated the price in corn, or any other *one* of the various things used as money, the man who wished to purchase could readily learn the value of the one thing with which all other things were compared. He could then exercise his own judgment by comparing this *one thing* with the various things on which a price was fixed, and thus determine whether those things were equal in value to the price. Therefore the root of the difficulty we are describing lies in the fact that the man with things to sell uses language in naming prices which is not fully understood by the man who contemplates buying.

When this occurs, although the language of these two men may be alike in other respects, they will fail to fully understand each other, for a similar reason that a man who talks French will not be able to fully state his ideas to a man who can understand nothing but English.

MONEY OF ACCOUNT.

In the early history of our race the number of things offered for exchange, at first, was very small and must have increased very slowly. Therefore the necessity of solving the problem of naming a price so that it would be easily understood came upon our fathers by a slow process. When it came, an invention was made which has been so long and so commonly in use that the great majority use it without thinking it once had a beginning. Our ancestors invented a commercial language,—a uniform mode of stating ideas of the worth of a thing, by the use of which two men can converse concerning the relative value of different things, and be at once understood by each other. This invention consists of certain words or terms to which the persons forming a community or nation agree to give a uniform meaning, and to use them exclusively when stating their ideas concerning the value of things. These terms, therefore, constitute the uniform language adopted by a community or nation in which values are estimated, prices stated, accounts kept, and all financial conversation carried on. This is the money of account,—the peculiar terms used by a people in stating prices, and conducting all other commercial transactions. Each nation has adopted a financial language more or less peculiar to itself which has been called the "money of account," because it is the mode in which computations are made and accounts kept in that nation.

We use dollars and cents as our money of account; we state all prices in dollars and cents, and compute and keep all accounts in the same way. Great Britain uses pounds, shillings and pence just as we use dollars and cents; Germany computes values in marks; France keeps accounts in francs; and every other nation has its peculiar money of account. Although each different nation has always used words different from those used by other nations, as a common mode peculiar to itself of stating prices and keeping accounts, this important fact should be noted, viz.: *The sub-*

stance of all moneys of account, in every age and nation, is a practical mode of expressing the same fundamental idea.

In order to understand this idea more clearly, let us dissect it into its component parts. The first portion of it consists of the undeniable fact that it is absolutely impossible to really define or state the worth of a thing otherwise than by comparing it with some other thing.

The second portion of this idea consists of the kindred fact that although a variety of methods may be employed whereby the value of some things may be compared with the value of some other things—as, for instance, one thing may be said to be as fine, or as rich, or as large as another—yet there is only one universal method of comparison by which the value of one thing can be compared with the value of all other things, viz., the numerical mode of comparison. That is to say, the worth of all things can be compared with the worth of all other things, by saying that a given thing is worth one-quarter, or some other fraction of the value of another thing ; or, by saying that a given thing is worth ten times (or some other number of times) as much as another thing.

The third portion of the aforesaid idea is that since a comparison of some kind is the only way in which the worth of a thing can be estimated or stated, it is desirable that the method of making comparisons should be the one which admits of universal application, viz., the numerical method. Furthermore, it is essential that all persons who make numerical comparisons of value should use the same numeral or unit as a standpoint from which to start in comparing one thing with another.

The fourth portion of the said idea is that, as it is impossible to estimate the worth of anything absolutely, the unit of value, or numeral, from which and by which all comparisons of value are made must be an assumed and arbitrary one ; that is, it may be symbolized, but, in the outset, it can have no real existence, because there is nothing except the imagination from which to construct it.

Therefore all civilized nations have assumed that the

numeral "ONE" was the proper arbitrary standard of value from which to start in making comparisons of value. This imaginary standpoint has been given a concrete form by calling it one pound, one rouble, one mark, one franc, one dollar, and a variety of other names. But in all cases, its essential characteristic is one and the same thing, because all the different names aforesaid are simply different ways of naming the national monetary numeral, or unit of value.

A PRICE IS ALWAYS A MODE OF COMPARING ONE THING WITH ANOTHER.

The above four fragments, when combined, are the basis of the greatest monetary invention ever devised by mankind. Let us now see if the foregoing statements can be further elucidated by an illustration. L has ten sheep, all alike, which he wishes to sell. M comes along and asks L how much a sheep is worth. If L should reply that "a sheep was worth a sheep" he would convey no idea except to raise a doubt of his own sanity or wisdom. M might then say: "I knew before I spoke to you that at the same time and place one thing is always worth a precisely similar thing; therefore one sheep, at the same time and place, is always worth a precisely similar sheep. Please drop nonsense and tell me *what* one sheep is worth in such language that I will be able to understand you."

A moment's reflection shows that the only possible way for L to state his idea of the worth of one of his sheep is to compare it with something else besides one of its fellow sheep. Furthermore, it is apparent that the easiest and most intelligible way of comparing its worth with the worth of something else is to do so by using numbers. Thus L may say: "This sheep is worth ten geese." That would be equivalent to saying that this sheep was worth ten times as much as one goose. L might say: "This sheep is worth fifteen bushels of oats." That would be equivalent to saying that the sheep was worth fifteen times as much as one bushel of oats. Suppose M should ask L if he would sell all his sheep for a cow. If L said yes, that

would be simply another way of stating his opinion that one of his sheep was worth one-tenth as much as a cow.

Two facts appear at once from the foregoing considerations. First, no matter what intelligible method or words L may adopt or use to give his idea of the worth of his sheep, they all necessarily involve a comparison of the sheep with something else, and a statement of the ratio in which he thinks a sheep should be given in exchange for something else.

Second, it is evident that L and M, in carrying on their bargaining, will more readily understand each other if they steadily use the same object in making all their comparisons of value. Furthermore, it is clear that by exclusively using the object designated by the common consent of the whole community as the best *one* thing with which to compare all other things, they can exchange ideas still more easily.

A MONEY PRICE IS ALWAYS A NUMERICAL COMPARISON.

The aforesaid two facts substantially embody what observation and experience have taught mankind is the best manner of making statements of value. In this country L would use the term "one dollar," as the money of account and the unit from which to start in making all comparisons of value. He would say: "A sheep is worth so many dollars and such a fraction of one dollar." In England L would employ the term "one pound," as the unit from which and by which to make all comparisons of value. In Germany, L would use as the money of account and unit of value, "one mark"; and all his conversation would steadily refer to "one mark" and to fractions of one mark. No matter what country he may be in, nor what terms he use, L would constantly make all statements of value by a numerical comparison of the thing on which a price was thus put with an adjective which would mean "one." The name succeeding this adjective would depend simply on the custom of the locality, and not on any difference in the principle involved.

ANTIQUITY OF NUMERICAL COMPARISON.

Having found that all civilized peoples of the world compute values by a numerical method, it would be interesting to know just when they first began to do so. There are several tribes now living which use the numerical method of reckoning values who are so low in the scale of intelligence that they have no written history. They compare the value of all things with a skin, a canoe, or a weapon of some kind, or with some other thing with which they make exchanges and are familiar. It is only a short time since the Indians of this country used a beaver skin as the unit of value and the money of account. These facts give us reason to presume that the numerical method of reckoning value is older than human history.

The fact that some nations use units of value which are widely different from those of other nations is an unimportant detail. The intent, object and result of doing certain acts are usually more important than the *manner* in which those acts are done. The Portuguese unit of value is so small that no necessity arises for dividing it. The principle involved is the same, whether the unit with which all values are to be compared is equal to the worth of one month's labor or one hour's labor; or whether its representative weighs one pound or a fraction of an ounce. Furthermore, it makes no real difference how the number of these units is ascertained,—whether by counting or weighing them. A uniform agreement by a people to reckon the value of *all things* by comparing them in a numerical ratio with *one thing* is the substance of the matter now under examination.

FRACTIONAL MONEY.

We have heretofore found, at an early period in the beginning of commerce, the adoption of an arbitrary or conventional unit of value, which is multiplied and (unless the unit is very small) divided into fractions as circumstances may require. Let us now examine the special function and use of these fractions of the unit of value.

When men first began to barter with each other they frequently met with a practical difficulty which we have thus far omitted to consider. That difficulty is the equitable exchange of things possessed of unequal values and which it is not practicable to divide.

A has a buffalo skin which he wishes to exchange with B for some rice. In this case a fair trade could easily be made, because the rice, without injuring it, can be divided into such an amount as equals the worth of the skin. But suppose A wishes to exchange a buffalo skin for an ax and the ax is deemed worth two-thirds the value of the skin. The first thought would be to cut off one-third of the skin and give the two-thirds for the ax. It takes but little reflection to show that such a course would spoil the buffalo skin.

Let us suppose another example. D has a cow which he wishes to exchange with E for a colt. After D and E have talked about the matter and compared the values of the two animals they conclude that the colt is worth one-quarter more than the cow. What is then to be done? For E to take the cow, and after slicing off one-quarter of the colt give D the remainder, is certainly impracticable. The necessity has arisen of doing what we now call "making change" or "giving boot." This necessity arises, when two things exchanged are of such unequal value that something must be given in addition to the least valuable one, in order to do justice to the person who parts with the most valuable one.

In early times, a problem similar to that above presented would have been solved by D giving E a couple of sheep, a yearling heifer, or some similar thing in addition to the cow to make the bargain even. This mode of making change was undoubtedly in use for a long time. In fact, it has been used to a considerable extent in this country within the memory of persons now living. During the first portion of the late civil war, when silver coins had disappeared from circulation and the fractional paper currency had not yet been issued, we were on the verge of a general

return to the primitive method of making change. Postage stamps, car tickets, dinner tickets, stage tickets, and a variety of similar things were rapidly coming into use as fractional money.

When New Orleans was taken possession of by the troops under command of General Butler, the soldiers, when shopping, frequently used as change, at the request of the shopkeepers, the large hard crackers which formed their bread ration. In various cities throughout the Northern States a considerable number of individuals, corporations and railroad companies started mints of their own, and began to make small brass and pewter coins of different kinds with a variety of inscriptions thereon. These were put into circulation as fractional money and continued in use until the United States Government passed a law prescribing severe penalties against any person who made or used them as money.

PRIMITIVE MODE OF MAKING CHANGE.

The use of pigs, chickens, eggs, calves, and similar articles for making change and other small payments is attended with great inconvenience and expense. M. Wolowski has told us that several years ago Mademoiselle Zelie, a noted singer, made a professional tour in various countries and, in the course of her travels, gave a concert in the Society Islands. The bargain with the manager of the entertainment gave her one-third of the receipts for her services. When her share was counted, it was found to consist of twenty-three turkeys, three pigs, forty-four chickens, five thousand cocoa-nuts, and a quantity of bananas, oranges and lemons. A portion of this "small change" was consumed by Mademoiselle and her servants, and meantime the remaining pigs and poultry were fed with the fruit.

This incident illustrates both the inconvenience of primitive money and the importance of having a kind of money which will enable those who possess it to divide values into small and regular fractions of an assumed unit, and to

reckon such a division. Much inconvenience must often result if, when things are exchanged of unequal value, articles of different and unequal size, quality and value are used for making change and paying small balances. This is not simply because the articles used for paying balances in such cases have different values, but because these values would be so irregular as not to have a constant relation and easily understood ratio of value to each other.

For example, K might desire to exchange two sheep with L for a heifer. Upon appraisal of value, suppose K and L decided that the heifer was worth the sheep and the value of half a sheep. In such case, after giving L the sheep K would still owe a balance to L of half the value of a sheep. The question would arise how to pay it. K might have a pig to give for his debt, but the pig might be considered worth more than half a sheep. Or, he might desire to give a turkey for change but upon reflection find that it was not worth quite enough.

All the above and kindred difficulties are removed by the adoption of a unit of value, and by dividing this unit into small and regular fractions. It is obvious that a system which admits of the division of value into fractions of a definite and uniform size, can also be used to gather these fractions of value and put them together again into wholes. This is shown by the way we use our unit of value. It is very easy to multiply the figure "one" by any number. Therefore an estimate of the value of anything, no matter what it is, nor how great its value, can readily be stated at so many units.

If an appraisal of a thing place its value at less than one unit, or at a given number of units and a portion of another unit, we then divide the unit into one hundred equal parts and say: This thing is worth so many units and such a hundredth part of a unit; or we say, Such a thing is worth so many hundredths of a unit.

The foregoing is what we really do and what we actually mean. But other terms are usually employed, and we say: "This thing is worth so many dollars and so many cents."

This method of comparing all values with the unit "one," and of dividing this "one" into one hundred equal parts, enables us to state all kinds of prices, make both large and small payments, and pay small fractional balances accurately, without inconvenience. It also gives those who chance to receive more fractions of a dollar than they want, the ability to readily convert them into whole dollars whenever they desire.

In substance, those who employ the monetary systems of other civilized nations use their units of value as we do our dollars. For instance, the Englishman breaks up the national unit, the pound, first into twenty equal parts, which he calls shillings. If required, he next breaks up each of these fractions into twelve parts, which he calls pence; and if further division be necessary he breaks each of these fractions into four parts, called farthings. When this is done, he has divided the unit into nine hundred and sixty pieces, and as these pieces have a regular and uniform relation to each other, there is little difficulty in putting them all together again into one pound.

Although the English and American money of account, the pound and the dollar, rest on essentially the same principle, our money has one practical superiority, viz., there is less arithmetic about it. We compute all values and break up our unit into fractions by the decimal system, the easiest mode of computation ever devised by man.

DIVISION OF VALUES ONE FUNCTION OF MONEY.

The division of values into fractions for the purpose of making small payments and paying small balances is one of the chief uses and functions of money. In fact, more money is actually used for those purposes than for making large payments and paying large balances. The larger payments are mostly made by what we do not call money at all, viz., checks and drafts. Moreover, the larger payments are made less frequently, and only by the wealthier classes; whereas the small payments are constantly made by the whole population.

Ability to readily divide values into fractions of a commonly recognized whole unit furnishes a means whereby the prices of all things, no matter how small or how large their amount, can be readily stated and understood. By dividing the unit into a considerable number of regular fractions, the slight daily fluctuations and changes which prices constantly undergo can be easily registered.

Division of the unit into pieces of a uniform proportion to each other enables the owner of one thing to transform it into units of money, and then divide and exchange it for such number and variety of other things as its value and his wishes may determine. It also furnishes an aid for comparing the value of one thing of little value with another thing of little value, and of estimating the ratio in which they should be exchanged for each other. Furthermore, it renders it possible to translate all kinds of values and prices from one kind of money, and reckon them in another kind of money; to multiply the value of one thing which is expressed in fractions by the numbers of that thing, and thus find their aggregate value; and to add, subtract and compute the fractional values transferred in a great number of exchanges, and ascertain the final result.

MONEY OF ACCOUNT, RESUMED.

Having considered how the assumed unit of value of different nations is divided for convenience into fragments, the value of each one of which has a uniform proportion to the value of the whole unit, we can now resume our study of money of account.

All civilized nations have, in substance, at least three kinds of money: First. The imaginary money, the money of account, in the language of which all accounts are kept and recorded, and by the help of which all values are estimated and compared with one another. Second. The current money, the money actually in use and circulation. This may, and often does consist of several different kinds of money, and those varieties of money may be more or less intermingled in all commercial transac-

tions. Third. The national standard of coinage; or, the national legal-tender money. This may consist of one kind of money; or, it may consist of several kinds of legal-tender money.

The national money of account necessarily consists of one kind of money, to the unit and fractions of which the same terms are always applied. But the second and third kinds, aforesaid, may embrace a great variety of different moneys. All of the said three kinds of money may be separate and distinct;—they may be substantially incorporated in one and the same thing; or, they may be all three essentially blended in two different kinds of money.

Let us now dissect and illustrate the foregoing statements. To those who have not thought about it, nothing seems much more absurd than the idea of an imaginary money of account and an imaginary unit of value.

HOW VALUE IS EXPRESSED.

Upon reflection, we observe that in comparing and stating values we cannot do as when defining colors, for in such case we have an absolute standard before us; viz., the colors of the rainbow, the colors of light. We can say *this* is red, *this* is yellow, and so on, simply because we possess an unchangeable standard of color. But value, as we shall hereafter demonstrate, is a mental perception of the worth of a thing. Therefore it is impossible to say of a thing, *this* is absolute value. We might as well attempt to precisely define and put in concrete and material form all other mental conceptions and emotions, and after our labors were completed say: *This* is hate, *this* is love, *this* is fear, and so on. We can symbolize and typify a human thought or emotion by making a material form which we imagine is a correct representation of it. For example, beauty is a mental perception of harmonious proportions and colors. We can make a thing which in a partial sense materializes this thought. Such a thing we call beautiful,—but it is not beauty, in the abstract, because that is as intangible as any other thought. A "beautiful" thing is merely a sym-

bol of an idea. Men's ideas of beauty differ. Therefore, what to one man is a symbol of beauty, to another man is the reverse of beautiful.

Thus we see two facts: First. Value cannot be put in material form except as a symbol of an idea. Second. As it is necessary in comparing values to start somehow or somewhere, we are driven to assuming and imagining an arbitrary unit of value from which to date and make all our comparisons.

The correctness of the foregoing statements is shown by the fact that the unit of value, the starting-point of the money of account of several nations, has been employed to compare and reckon values a countless number of times without even attempting to give it a material symbol. Thus the British pound sterling has been a money of account for many centuries, but the first "pound" was put in symbolic form when the sovereign was coined in 1816. The rouble was the Russian money of account for a long time before the reign of Peter the Great, when a piece of money called "a rouble" was first coined.

The unit of the money of account of Portugal is called a "rei." But no coin called a rei has ever been made. The rei is an imaginary money of account, which, unlike most other moneys of account, has never had a symbolic representative. The unit of value and money of account of Spain for a long time was the "maravedis." But no such coin as the "maravedis" ever existed,—it was a purely imaginary money without any concrete representative. In this country we frequently employ the thousandth part of a dollar in reckoning and stating values. But no one ever saw a mill, —it is simply an imaginary piece of money. We can mentally create the hundredth part of a mill just as readily as we can imagine the tenth part of a cent.

Other examples of a purely imaginary money of account might be cited, but those above given are sufficient to illustrate the principle we are examining.

WHAT HAPPENS WHEN SPECIE PAYMENTS ARE SUSPENDED.

It almost invariably happens, whenever a nation is suffering from a very severe and exhausting war, that what is called "a suspension of specie payments" occurs. That is: the money which forms the national standard of coinage, the coins which most persons suppose do not represent anything, but are of themselves units of absolute "intrinsic value," cease to circulate. People in the market-places can no longer sell goods and receive what is commonly called "intrinsic value" in exchange therefor.

Under such circumstances, if the prevailing ideas about money were correct, the people would at once be deprived of all their money,—their means of "measuring values" and reckoning accounts would be gone, and commerce would cease, except the limited amount which could be carried on by what the nation would be forced to return to,—primitive barter. And, as heretofore seen, in proportion as population grows numerous and commerce complex, exchanges by means of barter grow more and more inconvenient and difficult.

But, we know from experience that the disuse of standard coins does not interrupt commerce for an hour. Trade goes steadily on,—people continue to buy and sell, and all values are compared and reckoned in the same terms as when the coins were in use. This undeniable fact is readily explained when it is remembered that before "suspension" commerce was essentially carried on by the imaginary money of account; and after suspension it was carried on in the same way. No material change has occurred, no new conditions have forced business to adjust itself to them, and consequently no commercial stagnation or convulsion has arisen.

The only difference in the mode of carrying on trade before suspension and after, is the change in the things used to represent value. Before suspension, to a limited extent, coins were used which were symbols of the imaginary

money of account. Where coins were used before suspension, paper money is used after suspension as a symbol of symbolic coins. The real thing in the people's minds, the imaginary money of account and the unit of value, remains substantially unchanged.

MONEY OF ACCOUNT WOULD SURVIVE THE DESTRUCTION OF ALL OTHER MONEY.

Let us consider how we would compute values if, instead of being deprived of metallic money, as we are when specie payments are suspended, we were also at the same time stripped of paper money and had no power to make either it or a substitute therefor. Undoubtedly, we should be subjected to great inconvenience by being compelled to return to barter. But we would have one enormous advantage over primitive man: we would still have left the imaginary dollar,—the money of account, and with it we would continue to compute values and reckon accounts. Barter would be carried on by constant allusion to dollars which had no symbolic representative, just as we now speak of mills which are not represented by a concrete form except as we imagine a dollar divided into a thousand pieces.

A people deprived of all material symbols of value would thereby lose to a considerable extent that power of easy commercial association which is one great distinction between civilized and barbarous nations. But the imaginary money of account, under such circumstances, would largely obviate the necessity which otherwise would exist of an entire return to primitive modes of exchanging property.

For the same reason that business is not paralyzed by a suspension of specie payments, the addition to, or subtraction from, the currency of one kind of standard money has in itself no tendency to derange commerce. Before February 12, 1873, the United States had always two kinds of standard coins, both of which were a full legal tender: viz., the gold dollar and the silver dollar. February 25, 1862, a third kind of money was created which was a full

legal tender for all purposes except payment of custom duties and interest on the public debt ; viz., the greenback. We thus had three kinds of legal tender immediately after February 25, 1862. A fourth kind of money was made by the National Bank Act, June 3, 1864. This money is a legal tender for all debts due the Government except custom duties.

By the demonetization of the standard silver dollar, the number of legal tenders, except for sums not over five dollars, was reduced to *two*, not counting the national bank-notes, the trade-dollar, and the fractional money.

The act of February 28, 1878, restored the legal-tender quality of the silver dollar, and increased the number of legal-tender moneys to *three*. But the aforesaid changes in the *number* of legal tenders were almost unnoticed, simply because people were not accustomed to make exchanges for gold dollars, silver dollars, or paper dollars, but for the imaginary dollar which forms the money of account.

FALSE PREDICTIONS.

After the passage of said act of 1878 several "economists" predicted with great positiveness and vehemence that the business of the country would be in chaos in a few months thereafter as an inevitable result of the introduction of a new standard coin. These "learned" school-masters seemed to really believe business could not be properly carried on with more than one legal-tender money. But their confident predictions have shared the fate of other statements made without reference to actual facts.

As will, in the proper place, be more fully shown, the only important result of the remonetization of silver has been that prices have not fallen as low as they otherwise would have done, thus producing the reverse of the tendency which was produced by stopping the coinage of silver.

When we hereafter come to study the causes which raise and depress prices, we shall find that the number of different legal-tender moneys in circulation has no effect whatever on prices, except as it may increase or diminish the

gross amount of legal-tender money. But the total sum of legal-tender money in a country is not necessarily changed by an alteration in the number of the kinds of legal tender.

THE WEIGHT OF COINS IS SELDOM CONSIDERED.

Most of the writers who are kind enough to give us instruction in finance state that coins are used as money, and pass current, only because people know that they contain a fixed amount of pure gold and silver, and consequently know that they have a "fixed value." However, as a matter of fact easily demonstrated, the vast majority of persons have nothing in mind but the money of account. They readily comprehend prices stated in the money of account because the value attached to its unit has become impressed on their minds. But any marked deviation from this familiar mode of estimating, comparing, and stating prices, confuses them. If a dealer in clothing should put in his show window a coat marked, "348 30-1000 grains of pure gold;" or should mark a pair of trousers, "Cheap at 2,970 grains of pure silver;" how many persons at first sight would be able to say whether they thought the prices fair? Certainly, not one person in a hundred.

But if he marked the coat "$15," and the trousers "$8," every one would understand him. This would be so in this country because the dollar is here the money of account, and each person has an idea of its meaning; whereas his mind has not been accustomed to associate an idea of a certain value in connection with one or two thousand, or any other number of grains of gold or silver.

If a shop-keeper in Russia should mark his goods in "dollars" he would thereby convey but little idea to his customers of the prices asked, because the dollar is not the Russian money of account.

Prior to the Revolutionary War, pounds, shillings and pence were the money of account in this country. One of the earliest measures of the United States Government was to establish the decimal system of currency, and substitute

the dollar for the pound, as the unit of value. But the established habit of estimating values, and reckoning accounts in pounds, shillings and pence faded away very slowly. Many merchants retained the old method to the day of their death, and noticeable traces of the custom of reckoning values in shillings remained sixty years after the coinage of dollars.

If the English Government were to legally abolish pounds, shillings and pence, and commence coining dollars and fractions of dollars, instead of sovereigns and fractions of sovereigns, the people of England, with few exceptions, would go steadily on in the old rut and continue to estimate, compare and state all values by the pound. The habit of using the pound as the unit of value is so firmly fixed in the national mind that a century would probably pass before dollars would be used as readily as pounds now are. This would be so because the current coins of a country are simply the symbols of something deeper and more potent behind them, viz., the imaginary unit of value, the established money of account.

RISE AND FALL OF PRICES.

During the recent civil war, especially during the first two years of that struggle, those who entertained the common belief that gold had a fixed value, and that therefore the price of paper money stated in gold was a correct measure of the value of things, were very much puzzled by the fact that the price of real estate and many other things remained comparatively but little affected, while rapid and enormous fluctuations of value were registered by the barometer of the Gold Exchange room. This arose from two causes, one of which will hereafter be stated. The other cause is the fact that the great mass of the people compute and state all values by the money of account, and when, by long habit, they have acquired a certain idea of the worth of the unit of value, viz., the imaginary dollar, they adhere to it after the current money, or the legal-tender standard money, or both of them, have undergone a change in value.

The value of the money of account may remain but little changed for a considerable time, while current money and the legal-tender money have either increased or decreased materially in value.

At the beginning of the war, the first change in prices was observed in imported goods. The next change occurred in those articles in active demand for export; next, personal property most frequently bought and sold rose in price; then all kinds of personal property and labor were quoted higher; and, lastly, the price of real estate was affected. Like personal property, the real estate deemed most desirable, and that most frequently bought and sold, rose first in price.

If a shallow dish containing a pint of water be exposed to either cold or sunshine for one hour, its temperature will be materially changed. If a barrel of water be similarly exposed much less change will occur, and the effect will diminish in the ratio that the amount of water is increased. Finally, we find that a large deep lake or ocean is affected sensibly only by a long continued exposure to a considerable degree of heat or cold.

Changes often take place in the value of current money, legal-tender money, and the money of account as the result of causes hereafter to be discussed.

If we liken the money of account to a large body of water, the current money to a smaller, and the legal-tender money to the smallest body of water, we find that these causes operate on the three different kinds of money in a manner analogous to the action of heat and cold on different sized bodies of water, and produce similar results. A slight temporary cause may affect the legal-tender money, or the current money, without producing an appreciable effect on the money of account. But if this cause be very powerful, or long continued, the money of account becomes changed in consequence of a change in the purchasing power of its unit.

Results occur in the same order, no matter whether the change consists in an *increase* or a *decrease* in the worth of the imaginary unit of the money of account. They are first

shown in the prices of those things which may be compared to a dish of water,—those things which are most mercurial and subject to the greatest commercial activity; and finally they appear in the prices of that great mass of wealth which is comparatively seldom bought and sold. Real estate is the last in rising and the last in falling in value. Real estate most in demand, and most frequently bought and sold, rises in value before the real estate which is seldom transferred.

The aforesaid considerations explain why it is that some things are often falling in price at the same time that the price of others is stationary, or even rising. They are also of great practical importance to business men upon whom rests the necessity of making bargains to be executed at a future time, as they may help to forecast the prices of given things at such future date.

CHAPTER VII.

Effect of Legislation on Value.—What Legislation is.—Power of Legislation is Limited.—The Laws of Trade.—An Absurd Question.—Inconsistency of those who Deny that Legislation can Create Value.—Historical Example of the Creation of Value by Legislation.—Evidences that a Thing is Valuable. —Value of a Man's Services.—Legislation may change the Value of a Person's Services.—Historical Legislation which affected Values.—Effect of Aforesaid Law.—What made the Aforesaid Law Possible.—A Plea in Defense of the Money-Lenders.—Effect of Other Legislation on Paper Money.—Bankers' Schemes.—National Bank Act.—Subterfuges.—Why National Bank-Notes have not been Destroyed.—Attacks on the Greenbacks.—The Five-twenty Bonds.—Difficulty of Satisfying Avarice.—A Hypocritical Pretense.—Proclivity of Mankind to Hypocrisy.—Means Employed to perpetrate a Crime.—Why Horatio Seymour was Defeated.—National Credit.—What Experience Teaches.—Effect of Act of March 18, 1869.—Other Acts of Repudiation and Disgrace.—What made the Aforesaid Wrongs Possible.—Fruits of Crime and Folly.—Views of so-called Statesmen.—Simple Facts Overthrow false Theories.

Ignorance of the nature of value is the parent of the supposition that legislation has no effect upon it.

Perhaps there is no doctrine which writers on political economy more unanimously agree to assume as a fundamental truth than the statements that "value cannot be created by legislation," and that "legislation is powerless to create, to increase, or to diminish value." From this doctrine an important practical result naturally and necessarily flows; viz., the idea that the value of money can neither be created, increased, or diminished by legislation.

The examination heretofore given this subject has forced us to the conclusion that value is human judgment of the comparative worth, utility, or desirability of a thing, or of its ownership and possession; and that this judgment is formed and depends on the relation of that thing to man-

kind and to other things. In other words, value is created, increased and diminished by circumstances and conditions.

Therefore whether legislation can create value or not depends entirely on the answer to other questions; viz., Can legislation create conditions, facts and circumstances? Can legislation change the relation of a thing to mankind, and the relation of one thing to other things? Can legislation cause a diminished or an increased use of a thing, and thereby diminish or increase the demand for it?

WHAT LEGISLATION IS.

Before we can answer the aforesaid questions we must inquire what legislation is. In doing this our attention is first attracted by the fact that legislation is not manual labor. But this is not a decisive test, from the fact that a considerable portion of what the world regards as its most valuable things are chiefly the result of mental labor.

Legislation is the mental labor of a considerable number of men. In performing this labor, legislators have the benefit of the history of the practical results of the mental labors of generation after generation of other legislators. So that in theory, and largely in fact, legislation is the result of an accumulation of the labors of bygone legislators, combined with the labors of living law-makers.

Legislation not only represents the labors of a great number of legislators who have lived at different times, but it also represents the thoughts and experience of all mankind in regard to laws which have been enacted, and subjected to practical tests.

What is legislation an attempt to do? It is simply an effort to organize the forces of society in such a manner that certain modes and forms of thought and action will be encouraged, and other forms of thought and action will be discouraged. Legislators, with more or less practical success, endeavor to organize the social forces against things which they regard as of evil tendency. Legislation, therefore, is an organization of society for the purpose of creating certain conditions which legislators deem desirable and salu-

tary, and this organization can only be effected by the consent and co-operation of the ruling class in society. The rule and domination of this class may arise either from their superior numbers, from their superior intelligence and power, or from both causes combined. But legislation always implies some degree of control over the forces of society, else the Legislature would not exist.

We are forced to admit that the labor of a single individual can create conditions, and thereby create value. It is also apparent that a few men may combine together, may organize a company, and by this means create a condition which will create value.

Suppose a hundred industrious and thrifty families form an association, and buy ten thousand acres of wild land. This land is fertile, well supplied with water and timber, and has on it coal which can be mined with a moderate amount of labor; but, in consequence of a lack of population in its neighborhood, the value of the land is estimated at only two dollars per acre. As soon, however, as this colony of emigrants have perfected their title, the land is enhanced in value. A still greater rise in its value occurs as soon as the hundred families have arrived on the spot and staked out their respective portions of the land. This is simply because the land is thereby placed under different conditions from what it was before.

If the organization of a *small portion* of a nation can create conditions and value, it is certain that the organization of the *whole nation* for a definite purpose can also create conditions and value. Legislation is a mode of organizing the people who are subject to the laws enacted. By the labors of a legislature the thoughts and conduct of a whole nation are placed under new conditions. As an inevitable consequence, the national efforts produce different results from what they would if those new conditions had not been created by law. Legislation, therefore, either for good or for evil, is the most potent of all social forces. This is necessarily so, because legislation is the expression of the sentiments of the dominant class of society. Legislation is one

of the great educators of the people; it organizes and combines a considerable number of human tendencies and desires, and thereby converts them into auxiliaries of statute law.

POWER OF LEGISLATION IS LIMITED.

It is undeniably true that legislation is not omnipotent. Like all other human agencies its powers are limited, but this does not show that it has no power at all. No one claims that legislation can either subvert or create a natural law. Legislation exerts influence, not by opposing natural laws, but by creating new conditions under which latent forces come into play, and by which natural laws operate in different ways, because they are giving direction to different forces. When a farmer plows a field, he does not subvert existing, nor create new natural laws. He simply changes the conditions under which the sun, rain, air and kindred forces will have an effect on the earth. He changes the relation of things; he changes the conditions under which natural laws shall work. *Legislation influences society just as a farmer does his fields: it creates new conditions under which social laws and forces work out different results.*

THE LAWS OF TRADE.

We are frequently told that "legislation has nothing whatever to do with finance;" that all such things are governed by the "laws of trade." Many credit this statement, and anarchists give credence to the kindred assertion that "legislation has little or no influence on anything," except for evil; that the best way would be to "abolish all laws and let everything take its natural course." Recently, an event occurred in the streets of this city which demonstrated in a striking manner the folly of such doctrines. A street parade of colored men took place. Before them marched a platoon of white policemen, and in the procession were four bands of music, three of which were entirely composed of white men. Such a thing would have been

impossible thirty years ago. The policemen would then have refused to march, and the musicians would have refused to play in company with "niggers." We should then have heard the old story that it was "contrary to natural law for blacks and whites to associate except in the relation of slaves and masters." But law has converted these once despised black men into citizens, with the right to vote and hold office. The possibility of the aforesaid event has been largely wrought by changes in legislation, which have produced changes in public sentiment. What are called the "laws of trade" are merely the phenomena exhibited by human society under existing conditions, and one of the most potent of these conditions is the legislation then, and for some time previously, in force. *Change the legislation and the so-called "laws of trade" also change to a greater or less extent.*

AN ABSURD QUESTION.

Many of those who hold that legislation has no influence on values appear to imagine all opposition to their favorite dogma crushed by asking one question: "If value and money can be created by legislation, why not create an unlimited amount of them in that way and no longer levy taxes for the support of the Government?"

This absurd question would deserve no serious answer were it not for the fact that many persons in high positions think it a conclusive argument. The solitary judge of the United States Supreme Court who differed from the rest of his associates on the question of the constitutional power of Congress to issue legal-tender paper money in time of peace, seems to have based his opinion on the idea that the aforesaid inquiry conclusively settled the matter.

This question reminds us of the story of a man who did his cooking by an open fire-place. When told that half his fuel could be saved by using a cook-stove, he replied that such a statement must be false; because, if half the fuel could be saved with one stove, two stoves would enable him to save it all and cook without any fuel whatever.

A number of kindred questions could be asked, each one as absurd as the one aforesaid. For example, we might inquire: If a good farmer can raise twenty bushels of grain on an acre where only five bushels once grew, why cannot a still better farmer raise eighty bushels of grain on the same land? If labor create value, why not create an unlimited amount of value by labor, and cease our continual struggle to supply our wants? If elegant houses can be created by labor, what is the use of living in poor, homely houses; why not build fine houses enough to supply the whole community with them?

HUMAN CAPACITY IS LIMITED.

All necessity for asking the foregoing questions and a thousand similar ones is obviated by the exercise of a little reflection and common sense. Value is created by labor, but this undoubted fact does not warrant us in presuming that there are no limits to the power of labor to create value. Human capacities in every direction are hedged in with limitations. Bounds are appointed that we cannot pass. The production of land, and kindred results in various other departments of industry, can be increased, but we soon reach the extent to which this increase can be carried. All agree that the various necessaries of life and forms of wealth can be created by labor, but after toiling for thousands of years mankind are now but a short remove from starvation, and millions of persons are constantly in a state of poverty.

Our control over natural forces is steadily growing, and we can now produce conditions which create wealth more easily than ever before. But man's power to create value is still so limited that if all the wealth in the world were equally divided, each man would have much less than what is generally thought requisite for a competence.

Legislation can create conditions and thus create value; but this power, like all other human capabilities, is confined within strict and narrow limits. Legislation can place pieces of paper under certain conditions and thus create money; but it by no means follows that therefore legislation

can create an unlimited amount of money. Because a miner, under some circumstances, may be able to dig one ounce of gold in three days, it by no means follows that three hundred men could dig one hundred ounces every day, and indefinitely continue to do so.*

On the other hand, because the capacity of a single laborer, and the powers of a number of laborers sitting as a legislature, to create conditions and thus create value are limited by narrow and impassable boundaries, it does not therefore follow that this capacity has no existence. We might as well argue that because a man's powers in all other respects are limited that therefore he does not actually possess any powers whatever. For instance, we know that a man cannot walk fifteen miles in an hour; but this does not prove that he may not walk two or three miles in an hour.

INCONSISTENCY OF THOSE WHO DENY THAT LEGISLATION CAN CREATE VALUE.

There is one curious fact in regard to the doctrine that legislation cannot create value. Many persons assume that nothing depends on legislation, but that "natural laws" are the sole causes which produce results. But suppose it is said: "Since laws have no influence, let us repeal all existing laws, and among other things let us withdraw legal support to the value of gold, and legal power to collect debt."

Immediately a violent objection is made to the destruction of what a moment before was pronounced of no influence. But if law have no effect, why should persons who so believe object to the repeal of laws?

This inconsistency is chiefly due to two causes: First. Profound ignorance of the nature of value and the causes which produce it. Second. Personal contentment and satisfaction with the results which long-existing laws have helped to produce. The few men who own most of the land in England are quite satisfied with the laws which uphold

* If that were the case, and the product of gold mines could be increased by human labor and ingenuity proportionately to all other products, gold would maintain a more uniform value than it now does.

their title to it. All over the world, the great majority of those whom the present order of things has placed in opulent circumstances are averse to change. "So long as we are comfortably situated why hazard the result of a change?" Those in favor of the "let alone" doctrine are chiefly those who now possess more than their equitable share of the world's wealth. They do not wish any inquiry made into the rightfulness of the means whereby their possessions were acquired, for fear that such an examination might result in laws which would diminish their wealth. Hence, in every country and age a majority of the wealthy classes have always instinctively resisted every movement, the direct or indirect object of which was to impartially ascertain and make public the justice of existing laws.

HISTORICAL EXAMPLE OF THE CREATION OF VALUE BY LEGISLATION.

The power of a legislature to create value, and the limitation of that power, are both exemplified by the act passed by Congress, March 3, 1863. Prior to that time, silver coins had disappeared from circulation, and a want of fractional money existed. That act authorized the issue of fifty millions of paper money, in form of fractions of a dollar, and allowed the holders of those fractions to return them to the Treasury and receive dollars therefor whenever they chose to do so.

Said act placed pieces of paper, which previously were worth only a few cents per pound, under conditions which enabled them to supply a want, viz., the need of fractional money. The result was that a large value was conferred on those pieces of paper. The extent to which this value could be conferred was shown by the extent to which a demand for such fractional money existed. Although fifty million dollars were legalized, that amount was never issued; the demand proved to be for about forty-five millions, by the fact that all issues above that sum were promptly returned to the Treasury as not needed.

If the fractional paper money had not been convertible

into greenbacks, it would have fallen below the value of greenbacks whenever more than the amount actually needed by the people was issued. As water never rises higher than the dam which retains it, the value of the fractional money kept constantly on a level with the value of the greenback. As it was, whenever there was a surplus of fractional paper money, the excess ran over the dam and was changed into whole dollars.

Under the delusion that this fractional paper money had no value beyond its worth for paper rags, the Government largely increased the interest-bearing public debt for the purpose of buying silver bullion. The fractional paper money was destroyed, and replaced by silver coins, which it was imagined would perform functions that the fractional paper money had failed to execute. The country was persuaded by so-called "financiers" that if the people only had silver coins they would have a "measure of value," and then it would be easy to go out shopping and always get the exact amount of value that was parted with.

But experience has demonstrated that the silver coins are no more valuable to the community than the fractional paper money was. This is so, simply because the coins fill the same office that was previously filled by the paper money. The coins are exchangeable for greenbacks, and the paper fractions were also exchangeable for greenbacks. As a thing is worth what it can be equally exchanged for, it follows that the worth of a greenback determines the value of the thing given for a greenback. The silver coins are now worth as much as gold for the same reason that the greenback is. If the fractional paper money had not been destroyed, it would also have been worth the same as gold.

Since experience has shown that the denunciations of the fractional paper money were not founded in reason, but on crude theories and ignorant prejudice, the Government could do no more popular act than to issue twenty-five millions of paper dollars in form of one-half and one-quarter dollar notes.

EVIDENCES THAT A THING IS VALUABLE.

It has been said that "the fractional paper money had an exchangeable value, but no real intrinsic value." This statement illustrates the popular confusion in regard to the nature of value and how it is created and constituted.

Whatever is exchangeable equally for things which all concede have a "real value" is itself possessed of a "real value;" else why should persons give valuable things in exchange for it? Whatever supplies a want and performs a duty or function is just as valuable, for that purpose, as it would be if made of different and more costly materials. A brass baggage check is just as valuable, as a baggage check, as it would be if made of silver. It is true that the silver check would be more valuable than the brass check for melting and using for some other purpose. But this fact does not affect its value as a baggage check. Fractional paper money was valuable because it supplied the need of a medium of exchange. As it performed a valuable service, it had precisely the same value for that purpose as the silver coins which now perform the same service.

Fractional paper money is far more convenient to use than silver coins. The objection to it on the ground that dirty bills were sometimes in circulation could be obviated by making all the principal post-offices agencies for exchanging new for worn bills.

All difficulty of seeing clearly why the fractional paper money was just as valuable as silver coins disappears whenever the nature of value is properly considered.

Two different materials have the same value so long as they are under the same conditions, supply the same want, and perform the same duty.

Mahogany is a valuable timber for conversion into furniture; but if used for piles driven into the mud to rest buildings on it is no more valuable than yellow pine. A rosewood scavenger cart would be no more valuable than a cart made of less valuable timber. The value of a plow depends on its ease of draft and the thoroughness with which it per-

forms its work. Its value as a plow would not be increased by trimming it with gold or silver. The value of a thing for a particular purpose does not depend solely on its value for other purposes. Thus gold is far more valuable than steel for filling decayed teeth ; but for the spring of a chronometer watch, steel is more valuable than gold. Copper is worth more per pound than iron and steel, but many valuable iron and steel tools would be worthless for their special purpose if made of copper.

The value of a tool of any kind does not depend on its materials, size, form, color or any other quality but one ; viz., fitness to perform the work to be done with it. When a tool meets the conditions required it supplies a want, and its value *for that purpose* depends solely on the completeness with which the existing conditions are filled by its use.

VALUE OF A MAN'S SERVICES.

What is true of things is also true of persons. A man's value to society depends on his fitness for the peculiar duties he performs, and not on the fact that it would be possible for him to perform more important and valuable labor. Neither Bismarck nor Gladstone would be of any more value to their respective countries than ordinary coal heavers, if they did nothing but shovel coal. No matter what office a man has latent capacity to honorably occupy, his value to society is measured by the duties he actually performs. When his abilities are discovered, and his position correspondingly changed, then his importance to his fellows and the value of his services are proportionately increased. This recognition of a particular person's value to the community for some special purpose or duty may not occur until a late period of his life, and in a vast number of cases it never occurs. Such events are a loss to society—the relation between the individual and others is not the correct one. The proper conditions never occur, and a large amount of valuable ability is wasted. Meanwhile some inferior and incompetent person is placed in a situation where his services are comparatively useless because of inability to

properly discharge his duties. Such spectacles are continually before us, and show that the value of personal services, like the value of other things, is determined by the circumstances and conditions under which those services are placed. Circumstances may enhance the value of a man's services or they may diminish or destroy their value.

LEGISLATION MAY CHANGE THE VALUE OF A PERSON'S SERVICES.

Legislation enhances the value of men's services to society when procedures are framed into statutes which tend to fill offices and positions with those best adapted for them. An example of this is seen in the laws of nations, which are made with special reference to filling special places with men of special ability for those places.

When a system of laws is enacted which tends to place incompetent men in office, the value of a considerable number of persons' services is diminished to society. There is then more probability that those in public service will not each be placed under the most favorable conditions to develop his full value to the community. More men will be in either too high or too low places than under better laws.

Legislation may also indirectly enhance the value of the services to society of certain persons by putting in operation means for their education. The Military Academy at West Point is an illustration of this. Boys are trained to perform special duties. This knowledge confers a special value on their services to the nation when they become men. Without the sanction and support of law, West Point would never have existed.

HISTORICAL LEGISLATION WHICH AFFECTED VALUES.

Since July 17, 1861, the United States Government has made several financial experiments on a large scale which illustrate the effect of legislation on the value of money. By acts of July 17 and August 5, 1861, and February 12, 1862, Congress authorized the issue of sixty millions of Treasury notes. As first issued these notes were not a legal ten-

der, except for Government dues. But as they could be used in making all payments to the Government, they went into general circulation, by common consent, as a medium of exchange. By act of March 17, 1862, these notes were made a legal tender for all purposes except payment of interest on the national debt.

This sixty millions of dollars were received by the Government for all purposes at par with coin. The result was that while other kinds of paper money were quoted below the par of coin, these notes, throughout the entire period of their existence, remained at the same value as coin. This arose from the fact that the pieces of comparatively worthless paper which composed them were placed under conditions similar to the conditions surrounding coin. Their amount was limited, and they were legal tender for nearly all purposes.

Having thus seen the results which certain conditions produced on one kind of paper money, let us consider the history of an issue of paper money which was legally placed under conditions widely different from the sixty millions aforesaid.

Toward the close of December, 1861, specie payments were suspended. Bank-notes, nominally convertible into coin, on demand, shared the fate which invariably occurs whenever national distress causes a serious attempt to exchange such notes for coin. The "honest money" did as history tells us it has always done under similar circumstances; it failed. In the beginning of 1862, after a long debate, Congress came to the conclusion that national bankruptcy was impending, and that it would be impossible to carry on the war under the existing system of finance. On February 25, 1862, the famous Legal Tender Act was passed. That act authorized the issue of one hundred and fifty millions of the paper money, since known as greenbacks, and also authorized the issue of five hundred millions of the, so-called, five-twenty Government bonds.

As the legal-tender act first passed the House of Representatives, the greenbacks were a full legal tender for all

purposes whatsoever. This action profoundly aroused and alarmed the majority of the great money-lenders. A large lobby, composed of representatives of many rich individuals and corporations, then appeared before the finance committee of the Senate, and threatened that most of the capitalists and leading financial institutions of the country would refuse to aid the Government with money to carry on the war;—would refuse to buy the Government bonds, unless the greenbacks were shorn of the legal capacity of paying the interest on the bonds. Payment of the interest of the public debt in coin entailed some provision whereby the Government could obtain coin for that purpose. After some consideration, the lobby decided to insist that the custom duties should be specially mortgaged for the purpose of obtaining the requisite coin to pay the interest on the national debt. Thus the demands of the lobby concluded by requiring that the greenbacks should be placed under adverse and discredited conditions in two important respects, instead of the one first suggested. One false step necessitated another.

A conference committee was appointed by the Senate and the House. The majority of the members of that committee were alarmed by the arguments and threats of the bankers and capitalists. Most of them had no clear and definite conception of financial principles, and shared the common delusion that the financial wishes and demands of bankers were presumptively both expedient and just. Therefore this committee voted to recommend that the interest on the bonds should be paid in coin, and they also agreed that the Government should refuse to receive its own notes at the Custom House. Thaddeus Stevens, the Republican leader of the House, was a member of that committee and foresaw the evil which would inevitably be inflicted on the nation by such legislation. As a means of calling attention to its want of equity, he made an effort to have the soldiers fare the same as the bondholders, so far as a payment of the soldier's wages in coin would equalize the war burdens borne by those who fought and those

who remained safely at home and loaned money at high rates of interest.

But the lobby dictated that the soldier should be paid in paper money which was dishonored by its maker, and proclaimed as not good enough to pay the interest due the bondholders.

On the national statute books it was virtually written: "The rights of men who peril and give their health and lives in defense of the country are secondary to the rights of those who lend the Government money. Capital is more sacred than human life. The Nation has a right to conscript and compel men who are not rich enough to hire substitutes, to suffer the privations, disease and death of the camp, the march and the battle field; but there is no right, by any means whatsoever, to compel a man to lend money for the support of the laws which protect his property. Pensions for injuries received in the field can be justly paid with money which is not fit to pay interest with."

Every greenback daily tells the story of this outrage on humanity. On its back is inscribed: "This note is a *legal tender* at its face value for all debts, *public* and *private*, except duties on customs and *interest on the public debt*."

This policy discredited the greenback—deprived it of two functions which it ought to have filled, and by increasing the demand for coin increased the value of coin, and thus put it in the power of foreign capitalists to obtain possession of our bonds for less value than they otherwise would have been obliged to pay for them. The action aforesaid of the lobby placed a sickle in the hands of bankers and foreigners, who reaped a rich harvest by dealing in United States bonds.

The mistake and the wrong of this measure was not merely in refusing to pay the soldiers in coin. All persons should have good money. The evil lay in issuing money crippled with conditions which diminished its uses, and consequently diminished its value.

It has been said that the depreciation of the greenbacks was due solely to the issue of so large an amount of them.

The first greenback was issued March 10, 1862. Before that time coin had risen to 104¾ per cent. This shows that the greenbacks were depreciated before a single one of them was printed. Had the greenback been made a full legal tender, there is no reason to suppose that the premium on coin, even in the darkest days of the war, would have exceeded ten per cent. As it was, this premium went so high that coin was quoted at one time at 285. On that same day, the first issue of notes which were a legal tender at the Custom House were quoted at par with coin.

EFFECT OF THE AFORESAID LAW.

This depreciation of the greenback encouraged those engaged in rebellion against the Government; increased the chances of a foreign intervention, which would have destroyed the national unity; and thus not only prolonged the war but largely added to the cost of every day of its continuance. It is now apparent that the great difference in value between the greenback and the first issue of treasury notes was due to the different legal relations and conditions borne by those different kinds of paper money.

WHAT MADE THE AFORESAID LAW POSSIBLE.

The mistake of not receiving the greenbacks for custom duties chiefly arose from the prevalent and curious error of supposing gold exempt from the influence of natural laws. Every one knows that an increased demand for real estate raises its price, and that a diminished demand produces a fall in its value. But we acted on the theory that the price of gold is not affected by the causes which change the prices of all other things. By making coin the sole legal tender at the Custom House, we increased the demand for it; this raised its price just as an increased demand for silk would raise the price of silk. Refusal to receive the greenbacks diminished the demand for them; just as a diminished use for fine horses would lessen the demand for fine horses.

A PLEA IN DEFENSE OF THE MONEY LENDERS.

One extenuating plea, however, should be entered in defense of the aforesaid traitorous and selfish conduct of the lobby of capitalists. Its members, taught by false works on political economy, were to a considerable extent under the delusion that gold and silver possess a mysterious intrinsic value which cannot be affected by legislation. Therefore they did not see that legislation which increased the demand for coin would inevitably increase the value of coin. Furthermore, they believed that legislation could not create value, and therefore they failed to see that the national need of a medium of exchange could be supplied by placing pieces of paper under certain conditions: viz., making them a full legal tender and limiting their amount. They supposed that the sole value of paper money under all circumstances arose from the existing degree of probability that at some future time it would be received by the Government, and coin given in exchange therefor. They fancied that nothing was, or could be, money but coins of gold or silver. Ignorant of the fact that the value of all things is solely the product and result of conditions, they naturally failed to recognize that the value of the greenback would be adversely affected if that kind of money were placed under adverse conditions by the national Legislature.

Tremendous evils flowed from incorporating these errors into statute law. This exemplifies the necessity of examining fundamental doctrines before believing them. We should be sure our foundation is solid before we begin to build upon it.

EFFECT OF OTHER LEGISLATION ON PAPER MONEY.

We have heretofore found that the adverse conditions under which Congress placed the greenback at the time of its birth were created to satisfy the demands of the bankers. Those persons for a long time had enjoyed the legal privilege of issuing their own notes and putting them in circulation as money at great inconvenience, expense and loss

to the public, and at considerable profit to themselves. They instinctively recognized the proposition to issue national paper money as an entering wedge which, if not defeated or neutralized, would eventually destroy their ancient legal right to levy tribute on the people. This tribute was laid and collected in the form of interest on the paper money issued, and in the profits made by buying such paper money at large discounts at places remote from where it was nominally convertible into coin.

BANKERS' SCHEMES.

All human experience teaches that persons who have once lived on the toil of others are usually very reluctant to abandon such an easy means of support. Over twenty-four years have elapsed since the Legal Tender Act was framed. From that day to the present time the bankers have been continually plotting and contriving some way or means to prevent the issue of national legal-tender paper money. This opposition to the greenback is carried on under the pretense that it is contrary to "financial science" for a government to issue paper money. The actual reason is not only a desire of the bankers to issue their own notes as money, and receive interest thereon, but also the fact that by destroying the greenback the field for the use of bank-notes would be so much enlarged thereby. Moreover, if all the paper money of the country were issued by the bankers, those persons would have more power and control over the business interests of the nation. Hence, persistent efforts have been made to place in the hands of a few men the power to increase or diminish the circulating medium of the country in such manner as would best promote the selfish interests of those few.

These schemes have been numerous, but in substance have been merely various ways of attaining a common purpose. To directly suppress the greenback; to curtail the amount of them in circulation, and to surround them with adverse conditions and thus diminish their usefulness and thereby discredit them in public estimation, have all been

component parts of one plan. Let us in outline follow the history of the greenback, and see how far these attacks of its enemies have been successful.

The principal efforts made at first to prevent the passage of the Legal Tender Act were made by arguments intended to show that it would disrupt the nation and array all capitalists against the Government. It was argued that Congress had no constitutional power to enact such a law, and that even if such power existed, making paper money a legal tender was contrary to "natural laws" and would therefore be a useless and inoperative incumbrance on the statute books. These and kindred arguments had but little effect.

Failing to *directly* prevent the issue of legal-tender paper money its opponents then tried to *indirectly* prevent it by a limitation of its legal-tender qualities. As heretofore shown, this attempt succeeded. Greenbacks were deprived of the legal power to be used in payment of custom duties and interest on the Government bonds.

Human aversion to new things is shown by the fact that before the greenbacks appeared a large number of persons wondered if they really could be used as money. The New York bankers were hostile to them. But they passed freely into circulation, and their superiority over the existing State bank-notes was soon recognized. It was observed that the danger of their being counterfeited was much less; and that, unlike the old kind of paper money, they could be taken from State to State and passed without question.

NATIONAL BANK ACT.

The bankers saw that the people approved of the greenbacks and preferred them to the issues of State banks. They also saw that the circulation of the greenbacks had struck a fatal blow at paper money issued under State authority.

They concluded that the most feasible way to retain their profitable privilege was to obtain the right to issue paper money under national, instead of State authority.

Conferences were held, and the final result was that on the 3d of June, 1864, the National Bank Act was passed.

That act will doubtless appear to future generations as an amazing exhibition of effrontery on the part of those who asked for its passage, and of folly in those who enacted it. It is a long document but its essence is brief. The Government said to the bankers: "Organize as national bankers under this act; for every thousand dollars which you lend me at six per cent. per annum, I will lend you nine hundred dollars at one per cent. per annum."

Instead of issuing paper money *directly* to the people with little expense in form of greenbacks, without interest, it created an expensive machinery for *indirectly* issuing paper money through the hands of bankers. The bankers took the money borrowed of the Government at one per cent. per annum and loaned it to the people at high rates of interest. The issue of national bank-notes inflated the currency and thus diminished the value of every greenback in circulation. It should be borne in mind that every national bank-note inflated the currency as much as so many greenbacks would have done, and that a greater total of paper money was issued toward the close of the war than would have been had it not been swollen by the national bank issues.

In effect, the National Bank Act was a partially successful attack on the greenback. By its passage the bankers attained three objects: First. They curtailed the amount of the greenbacks and thus left a wider field for the use of national bank-notes. Second. They came into possession of the value created by the law which authorized the national bank-notes. This value is broader, and therefore greater, than it is possible for State authority to confer on paper money. Third. They practically retained their legal opportunity to levy a tax on the people without giving any adequate return therefor. Every dollar of interest which has been paid on national bank-notes is so much money stolen from the people under forms of law, from the simple

fact that for every bank-note *with* interest, a greenback *without* interest might have been substituted.

SUBTERFUGES.

Recently the progress made in the reduction of the nominal amount of the national debt, and the great fall in the nominal rates of interest paid by the Government, have greatly diminished the profits of the national banks and caused a diminution in their circulation. With the extinction of the national debt they see an extinction of their opportunity to issue paper money. Accordingly, each bankers' convention brings to light some new subterfuge whereby its members hope to continue to get money without giving an equivalent therefor.

As an instructive means of illustrating the effect of legislation on value, we have briefly sketched the history of the greenback down to the passage of the National Bank Act. We found that said act created, for the benefit of bankers, value which justly belonged to the whole people. The national bankers, by lending the people in form of national bank-notes the value created by the people's law-makers, have received a large amount of interest. This interest has been paid by the people on value created by their own laws, and properly belonging to themselves.

WHY NATIONAL BANK-NOTES HAVE NOT BEEN DESTROYED.

Why has not the intelligence of the American people, enlarged by the discussion which has occurred since 1864, abolished the national bank-notes and replaced them with greenbacks?

Three causes have combined to prevent such a desirable thing as the extinction of all kinds of paper money but that directly issued by the nation:

First. Bad in principle as the National Bank Act is, in fact it is a far less evil than the old system of State banks. This is simply because the paper money of national banks is placed under better and more uniform conditions than the paper money of the State banks was. Instead of look-

ing forward to see how feasible a still further improvement of their currency is, the people have been looking backward and rejoicing over the evils from which they have escaped.

Second. The public press of the large cities has been chiefly printed in the interest of the national banks, and has not fairly presented the facts to their readers.

The amount of tax paid by the national bankers has been constantly recited as an all-sufficient reason why special privileges should be granted to that class of persons. But; on the same principle, the farmers of the country could gather statistics showing the amount of tax which they pay, and thereupon claim privileges not enjoyed by other citizens.

Third. Congress and the national administration, from the close of the war to the present day, with a few exceptional acts, have steadily exerted their influence in favor of the national bankers and others of the wealthier classes of society.

ATTACKS ON THE GREENBACKS.

As heretofore stated, the opponents of the greenback sought to prevent the enactment of the legal-tender act by urging the unconstitutionality of such a law. Soon after its passage, measures were taken to bring the law before the United States Supreme Court, in the hope that said tribunal would declare Congress to have no right in time of war to make paper money a legal tender. But a series of decisions which affirmed the right of Congress in time of war to issue legal-tender paper money destroyed the fond anticipations of those who denied the existence of such a power, and, at the same time, claimed that no value whatever could thereby be created if it were exercised.

Finally, it was set forth with great positiveness that a though it might be constitutional in time of war to issue paper money and make it a legal tender, yet it was clearly unconstitutional to issue paper money as a legal tender in time of peace. The slowness with which events occur in this world is shown by the fact that over twenty

years elapsed after the passage of the Legal Tender Act before its legality was finally passed on by the Supreme Court. A full bench, with only one dissenting voice, affirmed the constitutional right of Congress at any time to issue paper money and make it a legal tender.

The judge who dissented from the views of his associates apparently based his opinion on the hypothesis that legislation cannot create value, because, if that were so, an unlimited amount of value could be created by law.

This learned judge should also have told us that it was impossible for a man to swim,—because if he could swim there was nothing to prevent him from swimming across the Atlantic Ocean. He should have considered that if legislation cannot create value the greenbacks have always been worthless, and therefore no decision of the Supreme Court could lessen their value.

The aforesaid decisions of the Supreme Court by removing all doubt of their legality have placed the greenbacks on a more assured foundation, and thereby fortified their value. Soon after the last named decision was made, Senator Bayard, the present Secretary of State, proposed to amend the constitution so as to prevent the issue of legal-tender paper money. But this proposal, except by the friends of the banking interest, was received with derision as a device to mold the supreme law of the land in the interest of the bankers.

THE FIVE-TWENTY BONDS.

As heretofore seen, the lobby who went to Washington in 1862 to effect a change in the Legal Tender Act confined themselves to procuring two limitations, which every one can now see on the back of each greenback. "This note is a *legal tender* at its face value for all debts, *public* and *private*, except duties on customs and *interest on the public debt*." Nothing is included in the "except" but custom duties and interest on the public debt. The principal was clearly payable in greenbacks. John Sherman said so, and he denounced any man who should

ask to be paid otherwise as a "Shylock." Similar views were expressed by Benjamin Wade, Oliver P. Morton, Thaddeus Stevens, and other leaders of the Republican party who participated in the creation of the Legal Tender Act.

The bonds issued under authority of this act were six per cent. bonds, and were known as "five-twenties."

In March, 1864, Congress supposed that money could be borrowed at five per cent. if bonds were issued more satisfactory to the capitalists than the five-twenty six per cent. bonds. Accordingly, the "ten-forty" bonds were issued. These bonds bore five per cent. interest in coin, and, in compensation for the reduction of interest, the principal was expressly made payable in coin. At the passage of that act, coin was at a premium of 160 and was soon quoted at over 200. The difference of interest between the five and the six per cent. bonds was therefore about two per cent. in greenbacks, and for this reason a comparatively small amount of these bonds was issued. The great bulk of the debt became composed of the so-called five-twenty six per cent. bonds, with interest payable in coin and the principal payable in greenbacks.

On the first day of May, 1865, although the war had terminated, and the future tranquillity and prosperity of the nation were assured, coin was quoted at 145. The greenbacks, crippled by legal disability to pay custom duties and interest on the public debt, were at a discount.

The holders of the six per cent. bonds and of the seven-thirty bonds, which were convertible into five-twenties at maturity, saw that they had made a thrifty bargain with the Government. They were entitled to six per cent. interest in coin, which was equivalent to about eight per cent. in greenbacks; and their bonds were exempt from State or municipal taxation.

DIFFICULTY OF SATISFYING AVARICE.

But the pleasure .of the leading holders of bonds was sadly marred by the reflection that although they had

made a good bargain for themselves, a still better bargain might possibly have been made, in the time of the nation's peril and distress, if they had wrongly thought far enough and had assurance enough to have availed themselves of the opportunity to make a harder bargain with the Government. At the time of the framing of the law creating the six per cent. bonds, they were satisfied with its provisions. But of all the passions, avarice is most rarely satisfied. Other passions may often be allayed by gratification, but avarice usually grows more unsatiable in proportion as it is supplied with food.

A HYPOCRITICAL PRETENSE.

After conferring with each other, and considering the best means of placing the country under still greater tribute to them, the bondholders concluded to pretend and insist that the bargain which they now regretted not making had actually been made. In consideration of receiving six per cent. interest in coin, and of having the custom duties mortgaged to secure such interest, they had agreed that the principal of the bonds should be paid in greenbacks. But this agreement they now repudiated, and, instead thereof, demanded that the written and well understood bargain should be so changed as to make the bonds payable in coin.

PROCLIVITY OF MANKIND TO HYPOCRISY.

Naturalists and anatomists have devoted much labor to pointing out the peculiarities of physical structure, and mental endowments and traits which distinguish man from other animals. But an additional volume could be written in illustration of the fact that among all the multitudes of animals on earth man is pre-eminently the hypocritical animal. Man is the only animal that commits a considerable portion of the acts of his life under false pretenses.

Nations are simply aggregations of human individuals. National acts are therefore human acts done on such a large scale that the mental traits of the different individuals are blended in a picture of the average man, whose conduct

is often more easily studied than the acts of one isolated man would be. The history of all national crimes tells a painfully monotonous story; *i. e.*, as far as it is possible for him to do so, man always commits a crime in the name of some virtue. England has recently added to the thousands of illustrations of this fact. She went into Africa to rob the natives, and committed many murders in attempting it. But this wretched crime was not done under its true name, but under pretext of "maintaining order and extending Christianity and civilization."

England has recently taken formal possession of an immense tract of land in Southern Africa. But this robbery has been committed under pretext of a desire "to benefit the native tribes." France once had a war in which the common people had the same interest that a flock of sheep has in the wrangles of two rival packs of wolves. This war, by a refinement of hypocrisy, was styled "the war for the public good."

A multitude of examples similar to the foregoing might be cited, all tending to show that the various forms of wrongs constantly being committed are almost invariably given the name of some virtue by their authors.

The scheme by which the holders of United States bonds, payable in greenbacks, procured legislation making them payable in coin reminds us of the long passed war for "the public good." It was carried out under pretense of "strengthening the public credit" and in the name of "honesty." If the real nature of this scheme had been generally known it would have been defeated; as it was, the people sanctioned it under the delusion that it was what it pretended to be,—a measure of justice.

On the first day of August, 1865, the United States debt reached its highest point, and amounted to $2,845,907,626. In round numbers, by a liberal construction of their contracts in favor of the bondholders, about one-sixth of this vast sum was payable in coin; the other five-sixths were payable in greenbacks, both legally and morally. Coin was then at a premium of forty-four per cent.

MEANS EMPLOYED TO PERPETRATE A CRIME.

Soon after the close of the war, the bondholders and their representatives began to flood the country with statements and arguments intended to induce the American people to pay the bonds in a manner different from what had been agreed upon. These pleas were numerous, but their substance can be briefly stated.

"Honesty is a great virtue. Without money the Government could not have carried on the war and the Union would have been divided. Disunion would have been a terrible blow to the prosperity of the country. The national creditors should be honored for lending money to carry on the war,—their services were so great that the nation can well afford to pay them, not simply according to the letter of the contract, but as their merits entitle them. Let us be honest. The national debt is a sacred obligation. If the bonds should be paid according to the letter of the contract the public credit would be ruined; in case of a future war no one would lend the Government money, and therefore the nation would be ruined. Let us be honest and pay the bonds in coin. Every bond is as sacred as a soldier's grave. Honesty is the best policy."

The above sentiments were amplified into thousands of articles and editorials, and millions of copies were distributed throughout the country. Every one who ventured to say that the rights of public creditors were neither more nor less "sacred" than the rights of tax-payers was denounced as "dishonest." After the discussion had progressed for some time it was claimed that the Government had actually agreed to pay the bonds in coin.

The country was flooded with pretended statistics showing that "the majority of the bonds were owned by poor men." Toward the close of the debate several of the, so-called, religious papers proclaimed with great positiveness the notorious lie that the bonds had been paid for in coin, and therefore should in equity be discharged in coin. In a country with an extended privilege of suffrage, great questions inevitably assume, sooner or later, a political aspect. The first national convention which was held after the close of the war for the purpose of adopting party

principles and nominating presidential candidates, took up the question of the proper mode of paying the bonds payable in greenbacks by the contract when the bonds were issued.

The prospects of the success of the Republican party were much the brightest, and the majority of the bondholders belonged to that party. Hence, the Republican party was chosen as the best instrument to carry out the scheme aforesaid. The platform of the Republican party declared :—

"That national honor requires the payment of the public indebtedness in the uttermost good faith to all creditors, at home and abroad, not only according to the letter, but the spirit of the laws under which it was contracted."

The convention denounced all forms of repudiation as "a national crime," and nominated Ulysses S. Grant for President. This occurred May 21, 1868.

The Democratic National Convention assembled July 4, 1868, and declared that :—

"When the obligations of the Government do not expressly state upon their face, or the law under which they were issued does not provide, that they shall be paid in coin, they ought, in right and justice, to be paid in the lawful money of the United States."

Horatio Seymour was nominated for President.

WHY HORATIO SEYMOUR WAS DEFEATED.

Hundreds of millions of capital were at once arrayed against the Democratic candidate, and the majority of voters did not understand the real issue. Besides the support of the bondholders, the Republican party had the prestige of having successfully carried on the war that restored the Union. Many persons believed that Horatio Seymour had befriended the national enemies. The result of the election was the casting of the majority of electoral votes for Ulysses S. Grant. Although war issues had been the dominant feature of the election campaign, and the financial question had not been understood, the result was interpreted as a popular decision in favor of paying the bonds in coin. History

again repeated itself. A false pretense deceived the people, just as they have been misled from time immemorial.

On the 18th of March, 1869, the bonds, which all impartial persons had no doubt were payable in greenbacks, were made payable in coin by an act entitled, "An act to strengthen the public credit." Coin was then quoted at 131. Two months afterwards it was 142. The preamble to this hypocritical law betrays the consciousness of its authors that a falsehood was being stated. It begins:

"In order to remove any doubt as to the purpose of the Government to discharge all just obligations to the public creditors, and to settle conflicting questions and interpretations of the laws by virtue of which such obligations have been contracted."

NATIONAL CREDIT.

The credit of a nation depends not only on the *ability* of its citizens to pay the taxes requisite to discharge all national obligations, but on their *willingness* to do so. If the tax-payers, by unjust laws, are called on to pay more than they really owe, they are robbed to the extent they pay more than the contract called for. The inevitable tendency of such unjust laws is to create a public contempt for all laws. The aforesaid act should therefore have been named: "An act to rob the tax-payers and thereby weaken the foundation of public credit." For it is certain that a repetition of similar acts would eventually result in a public discovery of their real nature, and a repudiation of all national debts. But laws which deal impartial justice to both tax-payer and public creditor can safely be repeated an indefinite number of times.

WHAT EXPERIENCE TEACHES.

A very considerable number of bond owners who advocated the aforesaid change of contract were probably unconscious of a desire to cheat the people. But, as all experience shows that the most upright judge should not be trusted to try a case in which he has a pecuniary interest, it is contrary to public policy, and a dangerous precedent, to allow a small

number of persons, whose interests are adverse to those of the masses, to change an established mode of interpreting contracts.

EFFECT OF ACT OF MARCH 18, 1869.

Let us next consider the effect which the above described legislation had on values. By preventing the use of the greenbacks in payment of the five-twenty bonds, according to the original agreement, it diminished the uses to which the greenbacks could be put, and thereby, by placing them under still further adverse conditions, struck an additional blow at their value.

In fact, the said act was thus a partial repudiation of the greenbacks. If they had been used according to the original intent, the demand for greenbacks would have been increased, and the demand for coin diminished. The inevitable result would have been a relative fall in the value of coin, and a corresponding rise in the value of the greenbacks.

The act of March 18, 1869, did what its authors expected and desired: it increased the value of the bonds which previously were payable in greenbacks. This was a specimen illustration of a form of legislation which unfortunately is not of rare occurrence. No new value whatever was created by the said act; it merely added value to one kind of property, and subtracted value from all other kinds of property. In fact, by deranging the relation of things, as will hereafter be more fully shown, it actually diminished the total amount of value in the country. It also indirectly placed an additional tax on the earnings of every laborer in the country. It was simply a huge theft committed by changing existing obligations into heavier burdens under pretense of helping the people by "strengthening" their credit.

WHEN LEGISLATION CREATES VALUE.

Legislation actually creates value only when, by supplying new conditions, some industrial or commercial deficiency or want is filled; or, when some latent wealth-creating force is

thereby evoked or organized. A distinction should be carefully made between the *few* legislative acts which actually create value, and the *many* laws which merely transfer the value rightfully owned by one class of persons to another class, without giving adequate compensation therefor. Whenever legislators neglect to guard the rights of all classes of persons with equal fidelity they fail of their duty. By enacting laws which increase the value of one man's property at the expense of another man, they legalize robbery and repudiate their obligations to recognize the equality of all men in the eyes of the law.

OTHER ACTS OF REPUDIATION AND DISGRACE.

We have seen that the act of March 18, 1869, was a partial repudiation by Congress of the contract under which the greenbacks were issued to the people. But this was not the only act committed by men who in political convention denounced all forms of repudiation as "a national crime." The Legal Tender Act which created the greenbacks said :—

> "And any holders of said United States notes depositing any sum not less than fifty dollars, or some multiple of fifty dollars, with the Treasurer of the United States, or either of the assistant treasurers, shall receive in exchange therefor duplicate certificates of deposit, one of which may be transmitted to the Secretary of the Treasury, who shall thereupon issue to the holder an equal amount of bonds of the United States, coupon or registered, as may by said holder be desired, bearing interest at the rate of six per centum per annum, payable semi-annually, and redeemable at the pleasure of the United States after five years, and payable twenty years from the date thereof."

By the foregoing clause, the United States clearly agreed with the holders of certain notes therein described, to allow them to fund them at their pleasure into five-twenty six per cent. bonds. On the 3d of March, 1863, Congress, supposing that a five per cent. bond, with the principal payable in coin, would be more advantageous to the Government, and be considered more desirable by the people than a six per cent. bond with the principal payable in greenbacks, passed an act which authorized the issue of five per cent. bonds with both interest and principal payable in coin. This act

referred to the acts which authorized the greenbacks, and said:

"And the holders of United States notes, issued under and by virtue of said acts, shall present the same for the purpose of exchanging the same for bonds, as therein provided, on or before the first of July, 1863, and thereafter the right so to exchange the same shall cease and determine."

This repeal of the right to convert greenbacks into five-twenty bonds was done for the purpose of inducing people to convert greenbacks into the five per cent. bonds. But it was a partial repudiation of the right to convert greenbacks into six per cent. bonds—a right that was then inscribed on the back of every greenback. It placed the greenbacks under different conditions from those under which they were issued.

The exigencies of the war, however, compelled the Government to practically resume the sale of five-twenty six per cent. bonds at par in greenbacks until the close of the war. But the temporary suspension of such sales had an unfavorable effect on the national finances. In fact, this was one of the most serious mistakes in the conduct of the war. Water never rises higher than the dam which retains it. Had the convertible feature of the greenbacks remained undisturbed, and had proper efforts been made, all the money needed by the Government could have been obtained without the successive issues of legal tenders, which were afterward deemed necessary. Whenever more greenbacks were in circulation than necessary, they would have been converted into bonds.

The right to convert greenbacks into five-twenty bonds soon after the close of the war would have made the greenbacks worth as much as coin. At the time when the bonds became worth their face in coin, the greenbacks would have had the same value if the original contract had been kept.

The Legal Tender Act of February 25, 1862, contained this clause:

"And such United States notes shall be received the same as coin, at their par value, in payment for any loans that may be hereafter sold or negotiated by the Secretary of the Treasury."

The aforesaid clause made a contract which Congress repudiated on the 14th of July, 1870. An act was then passed authorizing the issue of five per cent., four and a half per cent. and four per cent. bonds. This act provided that in payment for the bonds authorized by it the outstanding five-twenty bonds should be received at their face value, but, instead of receiving greenbacks at their face value, according to the original agreement, it said:

"The Secretary of the Treasury is hereby authorized to sell and dispose of any of the bonds issued under this act at not less than their par value in coin."

The act of July 14, 1870, was thus another repudiation of the contract under which the greenbacks were issued. It placed the greenbacks under still further adverse conditions, and thereby struck another blow at their value. If the greenbacks had been receivable for the bonds, the demand for greenbacks would have been increased and the demand for coin diminished. The inevitable result would have been a relative fall in the value of coin, and a corresponding rise in the value of greenbacks.

WHAT MADE THE AFORESAID WRONGS POSSIBLE.

Two things made this further repudiation of national promises possible.

First. The majority of the "statesmen" who composed Congress had not the faintest knowledge of the nature of value or of the causes which create it. Second. Such a straightforward way of doing business as the reception of the greenbacks for bonds, and their consequent increase in value, would not have suited the purpose of the comparatively few persons who controlled the financial policy of the nation. That purpose was to reduce the wages of labor, the prices of the products of labor, and the value of all kinds of property except money and bonds, mortgages and other evidences of claims for the payment of money.

On the 15th of July, 1875, in furtherance of said purpose, the so-called Resumption Act was passed. Instead of changing the adverse conditions under which the green-

backs had been placed by the successive acts aforesaid, as should have been done, by at once placing them in all respects on a legal equality with coin, their legal disabilities were continued. Ignorant of the simple fact that all values depend solely upon conditions, Congress saw no other way to place greenbacks and coin on an equality of value but to buy and hoard coin for use after January 1, 1879, in redemption of the greenbacks.

FRUITS OF CRIME AND FOLLY.

The result of this act was to increase the demand for coin, and consequently to increase its value. This was at once made apparent by the fall in the prices of labor and all kinds of property, except money and well-secured claims for its payment. An element of uncertainty was thus introduced in the financial and business situation. People were apprehensive of the future, and hoarded their money. The currency was thus contracted and the volume of business correspondingly reduced. Large numbers of laborers were thrown out of employment, and the production of wealth throughout the country was thereby greatly diminished. Numerous bankruptcies occurred, and an army of tramps sprang into existence and began to menace the security of property. On February 28, 1878, alarmed at the growing and threatening consequences of their criminal folly, Congress passed an act for the coinage of silver. This act, although seriously defective, produced one good effect immediately. It showed business men that the contraction of the currency to a gold basis was temporarily and partially arrested, and that less immediate danger from that source existed.

After the 1st of January, 1879, the greenbacks, although not legally on an equality with coin, were practically so placed. The result was that the anticipated enormous demand for coin did not occur, simply because the conditions surrounding the greenback, being practically the same as those surrounding coin, few persons cared to exchange them for coin. Distrust of the future was removed and

business began to revive. After suffering unnecessary and enormous losses through the derangement of business and idleness of machinery and labor, we finally reached the point we might have attained soon after the close of the war if our legislators had comprehended the fundamental principles which govern the creation of value, and had made laws, not for the aggrandizement of a class, but for the welfare of the whole people.

We have now seen that successive laws have been enacted without proper reference to their effect on values. It is, however, a mistake to say that these laws were enacted in the interest of "capital." They were in fact formed in the interest of a particular kind of capital; viz., money, and documents calling for its payment. These ill-advised measures, by deranging business and throwing vast numbers of workmen out of employment, subjected the nation to great hardships and enormous losses, which might have been mostly averted by judicious laws.

VIEWS OF A SO-CALLED STATESMAN.

In reply to the aforesaid criticism one of the United States senators has been applauded for saying that :—

"When a labor is to be performed, or a burden borne, it makes but little difference how it is done; the great thing is to do it."

Just as ignorant people imagine the skill of a physician is measured by the nauseous nature of his prescriptions and their unpleasant effects, many "statesmen" suppose that the sufferings attendant on bad financial measures are necessary and inevitable. Furthermore, they assume that a great amount of industrial and business derangement betokens the wisdom of the laws which produce it.

SIMPLE FACTS OVERTHROW FALSE THEORIES.

Two roads may finally lead a traveler to the same place. But, one of these roads may be straight and easy, while the other is crooked and very difficult and dangerous. A little reflection ought to convince any one that the *manner* in which a particular thing is done often deter-

mines whether it is an easy or an onerous task. A journey from New York to Chicago with eighty pounds of baggage is not a difficult thing when made in a railroad car; but if it had to be performed on foot with the baggage carried on the back it would be quite an undertaking. A man can put a hundred-pound keg of nails on a wheelbarrow and wheel it over a good road a mile with comparative ease; but to put it on his shoulder and carry it a mile would be quite a different thing. A farmer can easily get rid of the rats in his wheat stack by setting fire to it; but such a course would add to the numerous cases in which the remedy is worse than the disease. Numberless examples might be given to show that it is not always the *result* accomplished which makes a hardship, but the *manner* in which that result has been reached.

Instead of assuming that social and industrial derangement is inevitable, and resigning ourselves like fatalists, we should remember that such an event is always the result of some form of ignorance, and set to work to find out what it is and how to apply a remedy. It is easy to deceive ourselves with the pleasant belief that our knowledge is perfect and that our misfortunes have not arisen from our own folly.

CHAPTER VIII.

Value; a Clear Understanding of its Nature Indispensable.—How to Study Value.—Location apparently affects Value.—Creation of Value by Transportation.—Effect of Time in Creating Value.—Difference between Value and Weight and Measure.—Change of Place not the Real Cause of Changes in Value.—Men change Values by Time, Place and Mode of Sale.—A Merchant's Success.—The Essence of Value.—Intrinsic Value.—Changes in Value in Consequence of Changes in Circumstances.—The Result which Creates Value.—Unusual Values.—Value of Water.—Changes of Value are always wrought by the same Law.—How Value is Diminished.—How Value is Increased.—What gives Stability to Values.—Common Idea of the Cause of Value.—Why Land has Risen in Value.—Why Personal Property changes in Value.—Effect of Law on the Value of Gold and Silver.—Things do not possess Two Values.—Exchangeable Value.—Final Analysis of the Nature of Value.—Different Amounts ot Value Created by the Same Amount of Labor.—Why Labor does not Always Create Wealth.—How We state Value.—Distinction between Value and Inherent Qualities.—Value not an Intrinsic Quality.—Legislation has no Effect on Intrinsic Qualities.—A Prolific Error.—What is Necessary to the Existence of Value.—Value is always Relation.—Only one Way to learn the Nature of Value.

Value is not a quality; it is a result of circumstances. When a person with a certain want is placed in possession of a thing whose intrinsic qualities meet, gratify and fill said want, value is created. The degree, the amount, of value thus evoked depends on the intensity and importance of the want and the difficulty of otherwise supplying it.

The difficulty which obstructs progress in studying political economy is similar to that met in the study of all other subjects. It is more or less impossible to fully understand one branch of any subject until all other portions of that subject have been mastered so that the relation of one thing to another can be surveyed at a glance. As only one thing can be learned at a time, we have no alternative but to first study the different parts of a subject separately, and then

turn back and pass the whole ground over again with the help of the light afforded by the preliminary process of studying one portion after another. Thus it is impossible to comprehend any social problems fully without a clear understanding of what is described by the term "value." But "value" can only be fully understood by a person familiar with the motives which lead men to exchange things with each other, and the mode in which these exchanges are made.

That the nature and attributes of value be correctly understood is of the utmost importance, because every portion of the topics we are considering has a direct relation to value. A work on political economy might truly be entitled: "A description of the laws which regulate the creation and distribution of value." The definition of value therefore describes fundamental facts and principles. The greater portion of all financial theories and systems must consequently hinge on the manner in which it is understood that value can be created or destroyed, and on what the essence of value itself is believed to be.

HOW TO STUDY VALUE.

Heretofore we have partially considered the nature of value. Let us now carefully dissect the meaning of the word "value," and see if we can definitely and fully ascertain precisely what value is, and what it is made of.

The word "valuable" is an adjective which is placed before names to denote that a designated thing possesses utility, worth, usefulness, or the power to gratify and satisfy fancied and actual necessities and desires. Thus we say: a valuable farm, a valuable cow, a valuable coat, a valuable house; thereby meaning to convey the idea that the named things possess qualities which render their ownership desirable,—that they are forms and kinds of wealth. The term valuable literally means something which contains, brings or represents value. We now wish to find out just what the thing itself is which valuable goods and valuable property contain or possess. We cannot discover it by sight, nor by

any other one of the senses; neither can we learn anything about value by breaking a valuable thing in pieces, or by subjecting it to any chemical test. But the failure of such tests to reveal the nature of value does not prove that it has no existence, because we know that the nature of many other things cannot be so determined, but must be ascertained by comparative reasoning. Therefore we are forced to study this invisible thing by reasoning from facts which we know have a relation to it.

LOCATION APPARENTLY AFFECTS VALUE.

In beginning this investigation, the first thing which attracts our attention is the fact that the same thing has a different value in different places. In some things the difference in their value caused by locality is comparatively small,—in other things very great.

Between these two extremes there is every gradation; but, in everything whatever, we invariably find that the same thing in one country has some degree of difference in value from what it has in another. These differences are most noticeable in proportion to the distance of one place from another, and the contrast between the surroundings, wealth, habits, occupations and industrial and mental development of the inhabitants of those places. Thus we find that the same things which have little value in South America, Asia and Africa are considered much more valuable in London, Paris, or New York. On the other hand, we find that many things become much more valuable if taken from the world's great centers of wealth and transported to other climes and nations. Furthermore, we observe great differences in the value of the same things in the same country; some things being frequently worth several times as much in one place as in another. Even where places are within fifty miles of each other, we often find that a thing has one value at one place, and another, and a very different value, at another place.

Furthermore, we observe that a considerable number of

things are of no value in one location, and of considerable value when removed to another spot.

A ship's crew, ice-bound in the Arctic seas and certain of being obliged to remain there for several months, would not, if they could, sell their stock of coal for one thousand dollars a ton. Near the ship may lie a mountain of ice which is of no value whatever to them. But change the conditions and relative position in which both coal and ice are situated,—place them both in New Orleans. The crew would then be willing to sell their coal for a comparatively small price, while the ice would become very valuable.

CREATION OF VALUE BY TRANSPORTATION.

Having become convinced that changes in the location, surroundings and conditions under which things are placed alter their values more or less, we naturally ask: If the value of a thing can be enhanced by changing its location and surroundings, does not such a change actually create value? If coal which is worth only one dollar a ton at the mines be taken to a place where it is worth five dollars a ton, have not four-fifths of the value of that coal been created by placing it under different conditions? Reflection on the above and kindred questions compels us to answer them in the affirmative.

But our curiosity is excited, and we are impelled to ask: If value can be created by changing the location and circumstances in which things are placed, why do not men who desire gain engage in the business of moving goods from place to place in such manner that a material change will be wrought in the conditions which environ them and thus enhance the value of those goods? The more we reflect upon this question, the more feasible such a scheme appears; when, lo! it dawns upon us that the aforesaid mode of creating value and getting gain is exactly what a very considerable part of the human race have always been industriously engaged in.

At first, men learned that more value could be had for the few simple things they had for exchange by carrying them

on their backs over rude foot-paths to another tribe who were not as well supplied with those things as themselves. In course of time mankind had a greater number and variety of things for sale and exchange,—they tamed animals and made paths suitable for beasts of burden to travel over, and then the business of making things more valuable by moving them from one place to another became more extended and important. Progress went slowly on. Wheeled vehicles were invented, and then the need of better roads over which to draw loads of goods from one place, where cheap, to another place, where more valuable, became more obvious and imperative; roads were made better and in greater numbers; hills were cut down, morasses filled, streams bridged, and all the cultivated lands and cities placed in easy communication by earth roads.

But this did not satisfy the desires of shippers of goods. Within a century, a new instrumentality has been invented whereby the value of things can be enhanced by cheaply and rapidly transporting them any distance required. The railroad and the steam locomotive now connect all the commercial and industrial centers in this country, and in each nation of Europe, by tens of thousands of miles of road; and even in Asia and South America an immense length of railroad is in operation.

The postal service, the telegraph, huge warehouses equipped with hoisting machines, steam-engines, ponderous trucks drawn by powerful horses, and a variety of other potent aids to the work of creating value by the transportation of goods are in constant use.

We also find that the carriage of goods by water has passed through the same stages of growth as land transportation. Instead of timidly creeping along the shores in little boats as our ancestors did, we now place the goods which are cheap in one continent on board a huge ship and steer straight across the ocean to another continent, where we know the same things have a greater value. We have dug canals, built docks, lined the ocean shores with light-

houses, and dotted every sea with sails and with the trailing smoke of steamers.

From the time when a few skins or other simple commodities were carried in rude canoes, or on the backs of men or beasts, from one place to another, for the purpose of increasing their value, down to the present, when an enormous net-work of organized commerce is spread over the world, we find in every period a universal and practical belief that under certain conditions the value of things can be raised by transporting them from one market to another.

A large portion of history, the story of man's efforts to satisfy his wants and gratify his desires, is merely a record of inventions and attempts made for the purpose of creating or discovering some means or route whereby the location and surroundings of goods could be more easily changed, and the creation of value and the acquisition of gain more readily and certainly accomplished.

Only a short time has elapsed since, at great cost, the Suez Canal was completed, for the sole purpose of making a means whereby the location of goods in Asia and Europe could be more easily changed. At enormous expense a canal is now being built across the Isthmus of Panama. This, like great numbers of other works, is simply a step whereby the creation or increase of value by moving goods from place to place can be effected with less difficulty.

In some cases we find a change in the locality of a thing affects its value comparatively little; in other instances, the entire value is dependent on its being transported from where nature placed it to another spot. Ice is of no value while lying in northern waters, and of considerable value when carried to southern cities. Immense quantities of the finest building sand lies on beaches where it is not worth one cent a ton. But if this worthless sand be placed under different conditions by being carried to an inland city where sand is scarce it becomes quite valuable. Coal, iron, building-stone and many other things are almost without value when lying in their natural beds, but become of

great value when their relations to mankind are changed by transportation to a place where a greater number of persons desire to own and use them. The emigration of laborers and mechanics from one place to another is due, to a considerable extent, to the fact that labor, like everything else which is bought and sold, has different values in different countries ; and, even in different portions of the same countries, labor sells for different prices.

EFFECT OF TIME IN CREATING VALUE.

We have now seen that *place* seems to be an essential element of value. Upon further reflection we find that *time* is another factor which apparently often largely determines the value of a given thing. Merchants buy commodities at one time and keep them until another time, when they expect their value will be greater. Dealers in real estate buy land at one time with the idea of keeping it until another time. Speculators in stocks and all kinds of other things are continually basing their calculations on the changes which time will make in the value of whatever they are dealing in.

The market reports of the prices of grain are a familiar illustration of this. Wheat, for instance, is quoted at one price if to be delivered in May , and at a different rate if to be delivered in October of the same year. The price of labor varies in the same place at different seasons of the year. This is especially noticeable in farming regions. Laborers get much higher prices in harvest time, for the same amount of exertion, than at other portions of the year. The enhanced wages are due to the *time* at which the services are rendered.

DIFFERENCE BETWEEN VALUE AND WEIGHT AND MEASURE.

The foregoing considerations show us that value is entirely different from weight and measure. An elephant's tusk, which is four feet long and weighs twenty pounds, will be just as long and just as heavy no matter to what part of

the world we carry it. But its value will depend on the circumstances in which it is placed. Neither time nor place affect the weight and measure of a thing; those qualities cannot be changed without essentially changing the thing itself. But the value of a thing can be raised to several times its original price, and afterward reduced to nothing, without changing its material qualities in the slightest degree.

S has a thousand loads of paving-stones piled up in a city, where they are worth two thousand dollars. They were brought there from a stony farm, where they were worthless. If S send these stones to a place where no one wants them, their value is gone; but they will weigh and measure just as much as ever.

CHANGE OF PLACE NOT THE REAL CAUSE OF CHANGES IN VALUE.

The last example illustrates another important fact; viz., while *place* is usually the apparent reason why a thing which is shipped from one point to another is raised or lowered in value it is never the real reason. If it were, a movement of things from one place to another would always alter their value. But such is not the fact. Coal might be taken from the mines of one country and brought thousands of miles to the coal mines of another country, without having its value altered by such a change.

What is true of place is also true of *time:* it is often the apparent, but never the real reason for a change in the value of a thing. A thing may have the same value on dates separated by months or years.

The actual reasons which change values are alterations in the conditions under which a thing is placed,—changes in the relation which it bears to mankind and to surrounding things, facts and circumstances. Time and place are merely instrumentalities which are often used to produce those changed conditions, and place a certain thing under circumstances, or in a location where it will be in greater demand,

and therefore have a greater value because its relative importance will be increased.

MEN CHANGE VALUES BY TIME, PLACE AND MODE OF SALE.

The dealer in stocks says to himself: "At this time, stocks are low because money is difficult to obtain, and the majority of persons are frightened. I will buy now and hold my stocks until the business outlook has altered—until money is plentier and the community full of hope. I will buy in a market clouded by general distrust; I will sell under different circumstances. Time will bring these changes about." The dealer in land acts from reasoning akin to that of the stock dealer, and thus concludes:

> "The land which forms Manhattan Island is substantially the same land that it was two hundred and fifty years ago when it had very little value, but the surroundings of this island have so changed as make it, at the present time, of great value. A change in the population and wealth of a city changes the value of the land within it. Here is a tract of land which is *now* within one mile of the center of a city of twenty thousand inhabitants; within ten years it will be within one mile of the center of a city of forty thousand. The change which the circumstances surrounding this land will undergo must produce an effect on its value in moderate degree, similar to the effect which the growth of New York has had on New York land. By buying now, I will be *paying* for present conditions. By keeping it ten years, I can then sell it under other conditions which will create a far larger value."

The dealer in coffee says: "Coffee is worth so much in New York and so much in Rio Janeiro. A handsome profit can be made by purchasing coffee in Rio Janeiro and carrying it to a different market, to a place where there is less coffee and more persons who want it."

Trains of reasoning similar to those aforesaid are employed by all dealers who intelligently conduct their business. The transportation of goods from place to place, like the buying of things at one time for the purpose of selling them at another, are merely agencies through which certain results are expected to follow. All dealers endeavor to make a profit by purchasing certain things in a market

where the conditions tend to produce a low price, and then, by the aid of time, distance, or a mode of sale different from that by which the purchase was made, bring these same things to a different market, to a market where the conditions will be likely to give them a greater value.

At first sight, it appears as if the great majority of shopkeepers got their profits without enhancing the value of the goods dealt in by making changes in the conditions surrounding those goods. But a little examination shows that these merchants, in essence, pursue the same course that a merchant does who buys in England and sells in Mexico. They buy in the wholesale, and sell in the retail market. Goods sold at wholesale are sold under materially different conditions from goods sold at retail. Hence, goods bought of a wholesale dealer, and then divided into small parcels and sold at retail, have their conditions, and consequently their value, considerably changed. That is, the value of each pound, yard, or quart of goods sold at retail is greater *to its purchaser* than it would be if he were obliged to buy a large amount of the same thing. This is so because the portion bought supplies the customer's wants,—it is adapted to his condition and circumstances, and therefore has a greater relative value to him than a large amount of the same thing would have.

All mercantile and commercial transactions are conducted on the principle of changing, in some form or way, the conditions and circumstances of the property dealt in. These changes are created, or are expected to occur, by and from a great variety of means and methods. But the principle underlying them is always the same.

A MERCHANT'S SUCCESS.

Leaving out of view the fortuitous events which are usually called "luck," the success of these endeavors depends on the accuracy and breadth of the merchant's knowledge, the soundness of his judgment, his pecuniary resources, the amount of trust reposed in him by owners of property, his alertness in seizing opportunities, and his

skill in conducting the practical details of the enterprises he may engage in, and advantageously changing the conditions surrounding his goods.

THE ESSENCE OF VALUE.

We have now learned that all mankind, practically if not theoretically, agree that the value of things is largely dependent on the conditions under which they are placed. Furthermore, we have found that value can be created, increased, diminished, or destroyed without making the slightest material alteration in the thing which contains or possesses it, simply by changing the relation of a thing to mankind, and the attendant facts and circumstances. But we have not yet found what is meant by the word "value," nor what it essentially consists of. As neither physical nor chemical examination will reveal anything, we are forced to continue to analyze it by reasoning from known facts. We must follow the same method we use when considering the nature of "justice," or any other thing which cannot be weighed, measured, and handled.

Having learned that altered circumstances create changes in the amount of value which a given thing possesses, the next natural step is to inquire whether value ever exists absolutely, without any dependence whatever on circumstances. If it be possible for anything or things to contain or possess absolute value, then that or those things will always be prized highly, sought for and considered desirable and valuable by one man, or by a hundred men, no matter what the situation, condition and circumstances of that man or those men may be.

INTRINSIC VALUE.

The question consequently arises: Are there any things which are valuable to a man at all times and under all circumstances? If so, then those things are not dependent on any circumstances, facts or conditions whatsoever in order to be valuable, but they actually contain and possess absolute, intrinsic and unchangeable value. Furthermore,

the possessor of those things, under all circumstances and conditions whatsoever, is better off than if he did not possess them.

But, if no such things can be found, then it necessarily follows that value is dependent entirely on, and is the creature of circumstances and conditions.

In commencing to search for a thing which contains intrinsic value we naturally turn first to those things which are usually considered most valuable; viz., gold, silver and diamonds. At the outset we find a universal testimony that the ownership of those things is usually deemed so desirable that mankind often voluntarily undergo great labors and privations to obtain it. But our search is not for something which *generally* and under ordinary conditions has value, but for something which *invariably* has value. The question whether gold, silver and diamonds possess intrinsic value can therefore only be solved by an answer to a kindred question: Can a man be placed under circumstances in which those things are of no value to him whatever? Does not their ownership always bring the benefits derived from the favorable conditions described and conveyed by the term "wealth"?

CHANGES IN VALUE IN CONSEQUENCE OF CHANGES IN CIRCUMSTANCES.

The slightest reflection shows that a great variety of conditions are possible, and often exist, which render those things of no value whatever to a man, simply because under such circumstances he cannot derive any benefit or advantage from owning them. Suppose a man has in possession a large amount of silver, gold and diamonds, and at the same time is suffering from, and in danger of perishing of thirst, of starvation, of cold, or of wounds or disease. Further suppose, as not infrequently happens, that his surroundings and condition are such that he is utterly unable to exchange his goods for the things which will supply his necessities or relieve his sufferings. Is it not evident that those things would

then be of no value whatever to their owner? Remote from aid, men occasionally perish of thirst, cold and starvation, which the possession of millions at the time would not have averted. All around us rich men are constantly falling into conditions in which what was their wealth loses all value to them. They are in a condition similar to that of a man perishing of thirst in the desert, sitting on a pile of gold and diamonds, with no possibility of succor. They are dying of disease, and all the things in the world usually called "valuable" are of no value to them, from the simple fact that their ownership does not supply imperative wants and desires.

Some persons may say that the aforesaid examples are extreme cases, and therefore do not truly represent the facts. But it must be remembered that the existence of a law is not disproved, or affected in the slightest degree, by showing that the results of its workings are often unnoticed. The fall of a feather attracts little attention; the fall of a thousand tons a great distance creates a vivid impression on the beholder. But both these events are due to precisely the same cause,—the law of gravitation. Natural laws are universal and perpetual. They do not apply to one class of cases, and, at the same time, have no operation or effect in precisely similar circumstances. The law which governs value does not differ in the least from the laws which relate to all other subjects and things: it is universal and perpetual; it regulates all gradations of value, from the lowest to the highest, and it operates just as inevitably and effectually in ordinary cases, which do not attract general attention, as it does where striking results are produced.

If we are compelled to admit that gold, silver and diamonds have no intrinsic value—that is, no value independent of certain conditions which are requisite to confer value upon them—we still find it hard to believe that the value of all things is due to *outside* influences instead of to something *inside* of them. In other words, we have difficulty in be-

lieving that a universal law decrees that all value is *extrinsic* and not *intrinsic*.

Consequently we ask : Have not bread, meat and kindred necessities intrinsic value to a man ? Are they not always useful and therefore valuable without the slightest regard to circumstances ? Is not wheat, for instance, a synonym for value because it actually contains valuable nourishment ?

After carefully pondering on the above crucial test questions we are compelled to answer in the negative, from the simple fact that a man may be in a condition in which those things are of no use to him. A thing is of absolute value to a man only when the attendant circumstances are such as to create a coincidence between the wants of the man and the peculiar qualities of the thing. To a man suffering from excessive heat, a cool place and abundance of cool drinks are of value ; but if a person is shivering with cold his ideas of value are warm clothing, shelter from the cold wind, fuel and warm drink and food. Large sums are continually being paid to musicians, but a person with a dislocated arm would not be in the mood to attach any value to an opera ticket : he would think a surgeon's services of more value than the melody of the finest musicians in the world.

A coat would not be of as much value to a barefooted man, well clad in other respects, as a pair of shoes. Uncommonly warm clothing is of great value to a person in the Arctic regions. Except during a few days in the year, clothing suitable for the Polar region is of no value to a man living in the temperate zone ; and, to an inhabitant of the tropics, such clothing is worthless, unless possibly he can ship it to a cold country. Thus we see that the value of clothing depends on its meeting and supplying the wants of its owner ; and the amount of this value depends largely on the extent and completeness with which an imperative need is supplied.

THE RESULT WHICH CREATES VALUE.

Illustrations similar to the above might be given indefinitely, all tending to show that *value is created only by the meeting of a want with a means of supplying it.* The value

of a thing is consequently determined by the degree in which it supplies a want. Therefore, of necessity, nothing can have inherent, intrinsic value ; the value of a thing is only called into existence by a combination of conditions and circumstances which enables and causes that thing to supply a want.

UNUSUAL VALUES.

Ordinary conditions produce an ordinary amount of value in a given thing. Extraordinary conditions may change the usual value of a thing to an extraordinary state, and this change may be either an entire creation, an increase, a diminution, or a total destruction of its value. These extraordinary values seem wonderful to us, but an examination of the matter shows that no new laws or mysterious forces have produced them. They are created by precisely the same laws which give an *ordinary value* to a thing under *ordinary circumstances*. A gentle breeze is caused by the same laws which create tornadoes ;—the difference between them arises from different combinations of facts under which those laws set the air in motion. When the result of a law's operation attracts our attention vividly, we usually forget that those marked effects are simply an exhibition of forces constantly at work under different circumstances and then almost unnoticed. We are not much impressed by stroking a cat in the dark and watching the electric sparks from her fur ; but the same electrical law is then in force as when the heavens are shaken with thunder and lightning.

VALUE OF WATER.

The foregoing statements may be exemplified by reference to the value of water pure enough for drinking and other domestic purposes. Under ordinary circumstances, water has but little value,—a small sum of money, or a small amount of labor, will procure all that is requisite for the constant supply of a family. But events often occur which render a small amount of water of great value ; the price of a

gallon of water under some circumstances, if it could thereby be bought, would equal the entire wealth of the purchaser. From this extreme, there is every gradation of the value of water down to the point where vast rivers of it flow along where no one even imagines that water may have value.

In a valley high among wild hills lies a small deep lake fed by living springs and streams. For centuries it has lain there without any inhabitant of its vicinity dreaming that its ten thousand acres of area were worth as much as ten acres of fertile land. But within a few years a city has arisen, forty miles away, with no water supply in its neighborhood adequate to its present and prospective needs. A few far-sighted persons comprehend that a condition of facts exists which sooner or later must inevitably confer a great value on the waters of that lake. They quietly buy the lake, with a large amount of surrounding wild land, and then give all the residents of that city information that an abundance of good water, at a moderate cost, can be had from it. A water company is formed,—the water is made to supply the citizens with an abundance of good water at a low charge, and a large amount of value is thereby created. A want and a supply have met. The water which a short time before was considered of no value is now deemed, by careful capitalists, a desirable kind of property, because they see no probability of any circumstances ever arising which will lessen the demand for it and the income from its sale. No change whatever has taken place in the amount or quality of the water. The change of value is entirely due to the fact that the relation of the water to mankind has been changed,—a new and entirely different condition has been created—a new use has been given to the water.

CHANGES OF VALUE ARE ALWAYS WROUGHT BY THE SAME LAW.

There is nothing exceptional in the foregoing case; the change of value was wrought by an unvarying universal

law which operates precisely the same in all cases without the slightest reference to the amount of attention its results may attract. The principles involved in the creation of a million dollars' worth of value are precisely the same as those which convert a worthless load of sand into one dollar's worth of building material. A certain change of circumstances and facts must occur, and the judgment of mankind on the result of that change constitutes what is meant by the word "value."

As surrounding conditions and the relation of things to mankind change, the judgments and estimates formed and made of their value must also change. This explains the changes which are constantly taking place in the value of various things. The conditions and circumstances surrounding them change, and more or less changes in value occur, in proportion to the altered conditions.

HOW VALUE IS DIMINISHED.

A machine for a given purpose may be valuable because it exists under conditions in which it supplies a want far better than any other machine. But the invention of a better one may wholly destroy its value, simply because the new machine radically changes the conditions under which the old machine was valuable. In this way, old tools and machinery of various kinds are constantly being made comparatively worthless by the invention of better ones. A vast amount of value in the world now exists in the form of steam-engines. But it is not "intrinsic" value. The discovery of a new mode of generating force—more efficient and economical than steam, would change the present conditions under which steam-engines are valuable and render them almost worthless. In like manner, the value of all other kinds of property may be more or less diminished by inventions and events that would change the conditions which now give them value. If the value of this property were intrinsic, no changes of circumstances would or could affect it.

HOW VALUE IS INCREASED.

On the other hand, just as circumstances may diminish or destroy the value of a thing, events may increase its value. Whenever the amount of a certain thing in the world, or at a certain place, is limited, and it is either very difficult or impossible to create more of it, then such a thing is largely enhanced in value by conditions which increase the demand for it. For example: the land on Manhattan Island is limited in amount; the growth of the United States has made it the commercial center of a great nation; an increased demand for it and an enhanced value are the results of these changed conditions.

Gold is so limited by nature that it is difficult to increase its amount. The demonetization of silver by several nations has increased the demand for gold. The conditions under which gold formerly had value have thus been so changed as to largely increase its value. If the conditions which make a great demand for land in New York City should so change as to lessen that demand, the value of said land would be diminished. If the conditions under which gold is now placed should be so altered as to lessen the demand for gold, its value would thereby be diminished.*

* The reader will here please carefully observe the wide distinction between things which can readily be increased in amount proportionately to an increased use of, and consequent increased demand for them, and things surrounded by natural limitations which render it practically impossible for their amount to be augmented nearly simultaneously with an augmented demand for them.

For example, if the use of bricks throughout the nation should steadily increase so that five years hence the demand for bricks were twice as great as at present, the price of bricks would not materially rise. This would be so, because the materials from which they are made are practically unlimited, and by the application of capital and labor the supply of bricks could and would be so increased that their value would not materially change.

But an increased demand for a thing which, like gold, cannot be readily augmented in amount by an increased application of labor to its production, must result in an enhanced value of that thing.

WHAT GIVES STABILITY TO VALUES.

Another matter of vast practical importance also follows as an inevitable deduction from the aforesaid principles, viz.: *Stability of the value of money and of all other things is dependent on the stability of the conditions which create their value.* The majority of persons imagine there is something supernatural in the changes which occur in the value of money. But in fact there is no mystery about it,—it is dependent on altered conditions which produce altered judgments and opinions, and these changes of condition arise in the same way, and from the same causes, which change the conditions of other things; that is, the principles, the laws which create those changes, are identical.

A merchant who wishes to estimate the value of a thing at a future specified time will arrive at correct results, just in proportion to the accuracy with which he foresees the circumstances under which that thing will then be placed. The failure of many merchants is due to their want of vigilance in studying the effect of various industrial and political movements, and consequently not adapting their purchases and sales to the probable conditions of the future. Unlooked for events often occur, and change conditions so suddenly as to set at naught the most careful estimates of the future value of certain goods. The man whose goods such events increase in value is then said to be "in luck." But, on the average, "luck" falls to the man who conducts his business with the most intelligence, and most carefully studies and forecasts the probable conditions which will environ the goods he deals in.

COMMON IDEA OF THE CAUSE OF VALUE.

A few years ago, the Secretary of the United States Treasury caused the following statement to be printed:

> "The value of the precious metals depends, as in the case of all other commodities, on certain inherent qualities and the cost of production."

This statement was doubtless the result of consulting the

works of the most "learned economists," and was published for the instruction of the public. The reader will observe one idea in this statement, viz., that value is always the product of two facts. First, the inherent qualities of the thing itself;—that is, its intrinsic qualities. Second, the cost of producing the valued thing. As this is the generally accepted belief in regard to the causes which give value to everything, let us see if it be true.

WHY LAND HAS RISEN IN VALUE.

We will first apply this idea of "value" to that which forms a large portion of the assessed valuation of every portion of our country; viz., real estate. This valuable thing has changed enormously in value during the past century, as every intelligent person knows. What has caused these great changes in the value of real estate? It is not due to the cost of its production, because it was created without human agency. Neither can it be due to its inherent, intrinsic qualities, because those are the same now that they were when the land where New York City stands was not worth a thousand dollars. Thus we see that said statement utterly fails to explain the changes which take place in the value of real estate.

WHY PERSONAL PROPERTY CHANGES IN VALUE.

Let us next apply it to personal property. If the value of wheat depended on its inherent qualities it would always have the same value, because its inherent qualities are always essentially the same. We see, then, that the great changes which occur in the value of wheat happen without any change in the wheat itself. But does the difference in the cost of producing wheat account for the changes in its value? When we examine this question, we find that wheat is sometimes worth 25, 50, or even 100 per cent. more than it is at other times, *when the cost of its production is substantially unchanged.* What is true of wheat is true of all other farm products. Hops, for example, have always the same intrinsic qualities, and the cost of their

production varies but little. But hops are sometimes worth ten times as much as at other times.

Let us next turn to manufactured goods. When their quality is the same, does the value of such goods depend on the cost of producing them? If it did, then the value of manufactured goods would simply be a reflection of the cost of making them. But that this is not so is proved by the fact that manufacturers sometimes get far more than the cost of manufacture, and make large fortunes as the result. At other times, goods are sold for less than the cost of making them, and ruin comes to the manufacturer.

The value which a man gets in payment for his labor does not depend solely on the essential qualities of that labor. If it did, the value of a workman's services would change but little. That is but one of several conditions which determine his wages. Neither does the price of a man's labor depend on the cost of his living, as it may be much more, or much less.

The value of all things depends considerably on law and fashion. I have known good unused carriage bodies which cost $75 a piece to manufacture, and the shape of which had become unfashionable, sold for half a dollar a piece. Every one can recall similar cases wherein great fluctuations in value were due solely to changes in public opinion as to what was good taste.

EFFECT OF LAW ON THE VALUE OF GOLD AND SILVER.

It is a common belief that law has no influence on the value of gold and silver. But in reality nothing owes its value more to law than those metals. The recent apparent fall in the value of silver is not due to any change in its inherent qualities, nor to any alteration in the cost of producing it. The demand for it has been lessened by its demonetization in several countries. At the same time the demand for gold has been proportionately increased, and its value correspondingly enhanced. Suppose the demonetization of silver were carried still further by other nations discarding it and using gold in place. The inevi-

table result would be a still greater demand for gold, and a less demand for silver. The value of gold would then rise still higher.

On the other hand, suppose gold should be generally demonetized and no longer be employed for any purpose but use in the arts. The result would be a diminished demand for gold,—it would no longer be, as now, the royal metal, and its relative place in commerce would be different from what it is at present. Its inherent properties would be unchanged; the cost of its production would not be altered, but its value would be greatly diminished. It would be placed under different circumstances; under conditions which would lessen its relative importance.

Further examples and illustrations of the fact that the aforesaid statement of the Secretary of the Treasury is misleading will readily occur to whoever will scrutinize it properly. The plain facts in regard to the value of a thing are, that its inherent qualities and the cost of its production have more or less influence in determining it. But the peculiar qualities of a thing, and the cost of making another thing like it, are only two facts, in the midst of a multitude of other facts, conditions and circumstances, which also affect its value. These two facts aforesaid may therefore be, and usually are, the dominant conditions, or they may have little or no influence on the value of a thing at a given time and place.

THINGS DO NOT POSSESS TWO VALUES.

Many persons suppose that things possess two values: an intrinsic value and an exchangeable value. Much paper has been spoiled in attempting to show that two kinds of value exist. These writers call the utility of a thing its intrinsic, inherent value.

If a given thing possess intrinsic, inherent value, it necessarily follows that the amount of intrinsic value in possession of a man will be multiplied by the number of those things which he owns. But this is not the fact. A thing possesses utility to a man to the extent that it supplies his

wants, and no farther. Suppose a person needing a peculiar kind of shoes should order a pair, and by some mistake a thousand pairs were made. The first pair would be the most valuable; the second pair less valuable, because their value would depend on the contingency of their owner living long enough to want them. The third pair would be still less valuable, and this diminution of value would continue until a point was reached where the shoes became worthless.

A team of two horses is valuable to a man who has use for them. But it does not therefore follow that four horses would have double the value of one pair. On the contrary, part of them might be a useless burden and expense.

Suppose a farmer needing a thousand gallons of water daily for the use of his family and live stock should dig in his hillside for a spring. After excavating for some distance, suppose a spring was found which poured over a hundred thousand gallons daily. The water which the farmer needed would be of utility to him, but the excess would be of no value and might be an injury to his farm. If the circumstances and surroundings of the farmer were such that he could sell, or in some way use all of the water, the whole of it would be valuable; but this would simply be confirmatory evidence that all values are created by conditions.

The principle which renders an addition to the amount or numbers of a certain thing, beyond what is needed by a person at a given time and place, of less and less utility applies to all things under all circumstances. This could not be so if utility and value were intrinsic qualities.

EXCHANGEABLE VALUE.

Let us now see if there be really any such thing as "exchangeable value" attached to any substance whatever. If there be, it follows that the thing which actually possesses exchangeable value can always be exchanged for another valuable thing. But this is not the fact. A thing

may be exchangeable at one time and place for a great variety of other valuable things; but under different circumstances the owner of this same thing may not be able to exchange it for a small portion of food, drink, or any other object of desire. Thus we see that exchangeable value is not an inherent quality of a thing. Whether a given thing can be exchanged, at a given time and place, for one or more valuable things, depends entirely on the circumstances and attendant facts.

The inherent qualities of a thing do not necessarily determine whether it can be exchanged or not; they simply are *one* out of a great number of other facts and circumstances which decide that question. A combination of certain facts must exist in order to enable a man to exchange one thing for another, no matter how desirable the ownership of that thing is usually considered. Life-preservers can ordinarily be bought with a little money; but on a sinking ship it would be impossible to buy one with any amount of money.

That a given thing is often worth more to one man than to another is a fact of daily observation. This is so because the value of a thing to a man depends on the use he can make of it, and this depends on his situation and circumstances. Value varies greatly in amount; but its changes in amount do not change its character and essential qualities. There is no more propriety in saying that two kinds of value exist than there would be in saying there were ten kinds of value.

Dividing value into two kinds is as absurd as it would be to say: "There are two kinds of weight: one is the weight that a man can lift and walk off with, the other is a weight that he cannot lift." The above and kindred errors have arisen from setting out to discuss value without examining the fundamental facts and principles which underlie the subject.

The considerations heretofore stated show us that the importance of a certain thing, at a given time and place, depends entirely on its having such a relation to other

things and facts that it supplies an actual or fancied human necessity or desire. Furthermore, it appears that the word "value" is simply an abbreviated form of stating the result of an exercise of human judgment as to the extent to which a necessity or desire can be supplied by a certain thing, at a given time and place, and the relative importance of such a supply in comparison with other things. Value is therefore a human opinion as to the relative worth of a thing, and what this opinion shall be depends entirely on the circumstances and conditions under which that opinion is formed.

Human judgment is liable to error, and it frequently fails to accurately compare the worth of one thing with that of another. Mankind often attach an undue value to some things and at the same time prize other things less highly than they should. At least, so it appears when centuries of history record their verdict. But however much we may regret that it is often a serious problem to know what constitutes TRUTH, and therefore difficult to understand the TRUE value of a thing, we have no other means of determining it,—no other standard of value, except human judgment of the relative benefit, desirability and importance of possessing one thing, under the existing circumstances, compared with some other thing or things, at the same time and place. As the human mind is a complex instrument, affected by a multitude of influences, it necessarily follows that its conclusions on the value of a thing depend on the circumstances under which such judgment is rendered.

FINAL ANALYSIS OF THE NATURE OF VALUE.

Thus, in the last possible analysis of value, we find it a thought, a judgment, a perception of the relation of things to one another and to mankind. Value, therefore, is immaterial, like all other thoughts and judgments. We can give it a symbolic representation, but the thing itself is as intangible as beauty. No one will deny the existence of such a thing as beauty, but no one ever saw it. This is so be-

cause beauty is a thought,—it is a mental perception of color and proportion; we can make its symbols, but the thing itself cannot be made, because it is not material. If beauty and value were material things we could make them out of some substance, and then say: *This* is beauty and *this* is value. As the facts are, the farthest we can go is to say: This is beautiful and this is valuable,—that is, these are our ideas of the qualities which representations of beauty and value should possess, and how they should appear.

DIFFERENT AMOUNTS OF VALUE CREATED BY THE SAME AMOUNT OF LABOR.

Having found that value is purely a creation of circumstances and conditions, let us now consider some practical applications of the foregoing principles. The majority of persons imagine that value is the creation of labor, and that labor always creates value.

The fact is that value is always created by labor, but labor does not always create value. A small amount of labor sometimes creates a large amount of value. The fortunate borer for an oil-well may create more value by one week's labor than ten men would ordinarily create in a lifetime of toil.

On the other hand, a large amount of labor may, and often does, produce but little value, or it may be expended without creating a particle of value. Furthermore, not only may labor fail to create any value but it may actually destroy value which has been previously created.

When labor changes circumstances, facts and conditions so that a want and supply are made to fit each other just as one blade fits another and forms a pair of scissors, value is created. But the amount of labor expended in bringing about this condition and the amount of value thereby created vary enormously; thus showing that the value created is not solely dependent on the labor expended.

Suppose A and B should each buy an acre of land, of equal fertility, and set to work to convert their respective lands into gardens. In doing so each man performs an

equal amount of labor, but the product of A's land is treble the value of that of B. This arises from the fact that A knows under what conditions different plants thrive best. He knows how to prepare the soil, when to plant, and the different kinds of manure and cultivation required by different vegetables. In short, he understands how to apply his labor so as to place each plant under the most favorable conditions for growth. But B works without full information of the needs of his plants. Consequently, B, with the same amount of exertion, fails to create the conditions that A did, and a smaller amount of value therefore results from his toil.

When wheat is taken to a market open to the competition of the owners of wheat throughout the world, its value is the same, whether raised by hand labor on a naturally poor soil, or raised by machinery on a fertile soil with little labor. A similar fact is true of the value of all other things. If a miner dig ten thousand dollars' worth of gold in a day, that gold brings the same price per ounce as the gold does for which another miner spent a month in digging an ounce. Buyers of goods pay for results: they pay for the creation of facts and conditions without estimating the amount of labor which was expended in order to produce those results. The price of one thing is not affected by the fact that it may have cost either more or less labor to produce it than was expended in producing a precisely similar thing.

Thus we see that labor is necessary to create value, and that therefore, if all other things were equal, the amount of labor required to create a thing would be a correct index of its value.

WHY LABOR DOES NOT ALWAYS CREATE WEALTH.

But other things are seldom equal, and therefore there is a law which determines the *amount of value* which shall be created by a given *amount of labor*. The real force which evokes value where it did not exist, and which increases the value of things already created, is a suitable change in the

relation of facts and things to mankind. If labor produce this suitable change, labor creates value. But if labor be not directed with sufficient intelligence, if the desired result does not flow from it, the labor is wasted. *It is the proper conditions which create value:* labor is merely an instrument which, when rightly managed, forms circumstances and facts under the influence of which value is created or enhanced.

More or less labor is always required either to create a valuable thing or to enhance the value of something already created. But the *amount* of value resulting from a given amount of labor depends on the circumstances under which it is performed, and the intelligence with which it is guided.

To a very large extent, the foregoing simple fact is not recognized. All over the world an enormous amount of labor is constantly being performed which creates no value whatever, simply because it is unskillfully performed or unwisely directed. It frequently happens that a large amount of labor is expended on some enterprise without reference to the conditions which the completion of that enterprise will produce. A common example of this is the construction of useless canals, railroads, streets and buildings. These and other ill-judged schemes are continually started and carried on by States, cities, companies and individuals. A considerable number of these ruinous works are undertaken solely because other works of the same kind, but performed under different conditions, are successful.

Comparatively recently, a large number of the people of Connecticut spent a considerable amount of money under the delusion that value could be created by building a little canal from New Haven, northerly to the Berkshire Mountains! A large amount of value was created by the Erie Canal, but it was not produced simply by the expenditure of a certain amount of labor, nor merely by making a canal. Value was produced by creating a new condition; viz., the union of the Hudson River with the chain of great Western lakes, thereby establishing a cheap mode of changing the condition of goods by carrying them from places where

they had one value to places where they had another and a greater value.

Many persons suppose because one work,—called a canal, or railroad, a mine, or a factory,—creates value, that therefore any other enterprise of the same name and kind will prove remunerative. Absurd as this mistake may seem, it is frequently made, and vast amounts of labor are annually squandered in consequence. A multitude of these unfortunate schemes would never get beyond the budding stage if their originators would calmly sit down and inquire: "After this work is performed, will the same facts and conditions which environ similar works in successful operation surround this enterprise?"

The practical lesson from the foregoing is, that value, and therefore wealth, is most rapidly created, legitimately, by the persons who *best know how to create conditions* which will supply the various wants and desires of mankind.

HOW WE STATE VALUE.

Having considered the essential nature of value, let us next see how we define our ideas of its varying amounts, —how we state the different degrees in which value may be attached to a thing.

The majority imagine that values are measured by money and that therefore money must have intrinsic value, just as a peck measure must have a certain bulk in order to measure bulk. A little consideration will show that we do not measure values with money, in the sense that we measure distance with a yard-stick or tape-line. Values are measured by the judgment. We can give a child a quart measure and send him out to buy a quart of milk, because the measure determines the amount of a given article; but no one would think of trusting a child to "measure" *value* with money. If money measured value, we could give a child a handful of gold coins and entrust him to buy a horse. If gold coins measured value accurately, as we are told they do, then possession of these coins would enable one man to estimate values as wisely as another, just as one man can

take a ten-foot pole and measure a hundred feet almost as well as another.

V and W each have ten gold eagles and go out shopping. They visit a number of different stores and each one expends her money for a variety of articles of wearing apparel. After returning home, the goods purchased are compared with each other and it is found that V has obtained a better quality of goods, has received far more value for her money, than W. When they started out shopping, the things commonly called the "measure of value" which each one took along with her, were alike. But one woman carried along with her more judgment and intelligence in regard to what she proposed to buy than the other.

Values are our judgments of the relative worth to us, *under our circumstances*, of one thing as compared with another. There is no other way of stating our ideas of the value of a certain thing, at a given time and place, except by comparing it with some other thing. There are generally one or more things which circumstances make us want more than we do other things. Therefore we state value by saying how much of *this* we will give for so much of *that*. Our conduct is essentially the same, whether we are giving our views of value by comparing one commodity with another commodity, or whether we are comparing money with a commodity.

A man's idea of the value of a certain thing to himself does not depend simply upon his actual circumstances. His judgment and opinion of his needs determine the amount of value which he will put upon a certain thing. Furthermore, a man's idea of the value of *one* thing always depends on the way in which he compares it with *another* thing. Or in other words, a man's idea of the value of one thing depends on his ideas of the value of the thing with which he compares it. Consequently a correct judgment in regard to values is only possible to those who have intelligence concerning the thing to be appraised. Hence, as a matter of daily occurrence, when we wish to "measure" the value of a particular thing we do not approach or test it

with money. If we are not intelligent in regard to it ourselves, we employ some one who has that special knowledge to aid us. We employ a jeweler to tell how much a precious stone is worth. We get a man who knows the good points of a horse to select or appraise a horse. We employ a man familiar with real estate and buildings to tell us the value of a house, and we consult one skilled in knowledge of ships if we wish a vessel appraised. In short, when we wish to "measure" the value of a thing, we employ intelligence and judgment in regard to that thing. We *compare* it with other things and we use money and money-terms to facilitate a statement of this comparison.

Purchases and sales are made after consideration; the price depends upon the intelligence, judgment, and necessities of the buyer and seller—it is not "measured" by the money used in the transaction. We express ourselves in terms of money merely as a convenient mode of stating our ideas and judgment of the value of a given thing, so that others can understand us. The unit of value, the dollar, for instance, is used to *compare* the value of one thing with another. The whole community speak of things as being worth so many dollars, and thus they arrive at a *common* understanding of value by using a *common* means of comparison. If one man said a thing were worth so many bushels of wheat, another man said it were worth so many days' labor, and another man said it were worth so many pounds of cheese, etc., etc., great difficulty of making exchanges would exist. But, by all parties using the same comparison, exchanges are facilitated and our judgments of values are steadied.

Suppose two farmers wish to trade stock. Both have in mind, consciously or unconsciously, an idea of the value attached to the unit of value, the dollar. One says: "Those pigs of mine are worth about five dollars apiece; that heifer of yours is worth about four times as much as one of my pigs. I will give you my three pigs and five dollars for your heifer." Money is thus used, not to *measure* value, but as a help to compare, count and state values. We "measure"

value with our brains; we *record and state* value by using the names of units of money.

W. M. Evarts, our former Secretary of State, has made an elaborate argument intended to show that values are measured by money just as we measure distance with a rod, or weight with pound weights; and that therefore money must have "intrinsic" value in order to measure value. The learned gentleman did not tell us how the value of money was determined in order to obtain a "measure" to start with. An inquiry of this kind would have led him to the conclusion that the value of money is determined by the judgment, and that the value of all things computed in money must therefore rest on the same foundation as the value of money itself.

When a farmer takes a hundred bushels of wheat to market and exchanges it for money, a double comparison takes place. The wheat is compared with money, and the money is compared with wheat. The dealer in grain buys the wheat and the farmer buys the money. The wheat "measures" the value of the money just as truly as the money "measures" the value of the wheat.

DISTINCTION BETWEEN VALUE AND INHERENT QUALITIES.

A considerable portion of the financial legislation of this country, for the past fifteen years, has been enacted on the theory that gold and silver possess "intrinsic value," and that such value is necessary to "measure" other values with.

A man was arrested for beating his wife. Defense was: "I treat women with the utmost kindness. I have no wife."

In fact, there is no such thing as intrinsic value. We do not "measure" value with money in the sense that we could if such a thing as intrinsic value actually existed. When silver coins first took the place of fractional paper money, many persons were surprised to find that their purchases and sales went on as before the circulation of an alleged "measure of value."

The idea that gold, silver, copper and other things possess "intrinsic value" has arisen from not recognizing the distinction between the intrinsic, inherent, physical qualities of a thing and the value of that thing. Thus, anthracite coal has certain intrinsic qualities. It is black, composed chiefly of carbon, is combustible, and has certain other intrinsic, physical qualities. Neither time, location, nor any other circumstance, has any effect on these intrinsic qualities. If every nation in the world should enact that anthracite coal should thereafter be white, it would not have the slightest effect on its color. The inherent, intrinsic qualities of coal are precisely the same at the mines as when carried to the market where it has the greatest value.

VALUE NOT AN INTRINSIC QUALITY.

The mistake lies in assuming that value is an "intrinsic" quality. If its value were an inherent quality, coal would have the same value under all circumstances; just as its color and other intrinsic qualities are invariable. But we all know that the value of coal depends on the conditions under which it is placed. Legislation could not, in the slightest degree, affect a single one of the intrinsic qualities of anthracite coal. But legislation could be enacted which would materially affect its value. For instance, if a heavy tax were laid on all the bituminous coal mines, and rigidly collected, it would increase the cost of bituminous coal and thus indirectly raise the value of anthracite coal. Legislation might be enacted which would practically rob the owners of bituminous coal mines of a considerable portion of their value and transfer this value, thus wrongfully taken, to the owners of anthracite mines. Such a measure would be facilitated by the fact that anthracite coal deposits are limited to a comparatively small area.

Gold has certain inherent, physical qualities which cannot be altered except by destruction of that metal. It has a beautiful orange color, is very malleable, has a high specific gravity, and does not rust. These are the intrinsic

qualities of gold, and they are fixed and invariable under all conditions and circumstances. If the stock of gold in human possession were reduced to one hundredth part of the present stock, each ounce of that gold would have precisely the same intrinsic qualities which are now possessed by each ounce of gold. On the other hand, if a mountain of pure gold were discovered, so easy of access that it could be mined as cheaply as coal now is, that fact would not affect the intrinsic qualities of gold in the slightest degree. Each ounce of the gold taken from such a mine would have the identical, intrinsic qualities which are now possessed by gold.

If all the nations of the world were to enact that gold should hereafter be the sole legal tender; and also prohibit the use of paper money entirely, in every form whatsoever, the intrinsic qualities of gold would remain unchanged. It would still be a bright yellow color, be malleable, very heavy, and unaffected by exposure to the air.

LEGISLATION HAS NO EFFECT ON INTRINSIC QUALITIES.

Legislation which might decrease the demand for gold would have no effect on its intrinsic qualities. The universal demonetization of gold would not affect its weight, its color, nor any other one of its intrinsic qualities in the least.

The aforesaid facts in regard to gold are equally true in regard to silver, copper, tin and all other metals. Each metal possesses intrinsic qualities peculiar to itself which cannot in the least be affected by legislation, scarcity, plenty, time, or any other condition or circumstance whatsoever. A multitude of persons suppose the "intrinsic" qualities of silver have changed since 1872. But, in fact, we have no evidence that any change in the intrinsic qualities of silver has occurred since the creation of the world. Its intrinsic qualities are invariable, and therefore unchangeable by legislation.

A PROLIFIC ERROR.

The parent of an enormous amount of unwise legislation is the fundamental error of assuming that value is an "intrinsic quality" of gold and silver. Persons talk about silver having "lost a portion of its intrinsic value." The plain fact is that silver never had any intrinsic value. It always possessed certain intrinsic physical characteristics and qualities, but its *value* has always depended on precisely the same circumstances and conditions which have given value to gold, iron, lead, copper, and all other metals and things; viz., its supply relative to the demand for it; its relative importance compared with other things. When people say, "Legislation has no effect on value," they have always previously assumed that value was an intrinsic quality. They confound a *physical quality* with a result.

WHAT IS NECESSARY TO THE EXISTENCE OF VALUE.

Nothing is "valuable" unless three facts unite. First. A thing must possess certain intrinsic, physical qualities which adapt it to supplying a human want. Second. A person must have a want which the intrinsic, inherent qualities of a certain thing would supply. Third. The person having the want must be supplied with the thing whose intrinsic qualities satisfy that want. Then the thing possessing those qualities has a value. The amount and degree of such value depends entirely on the circumstances under which the want is supplied; on the urgency and intensity of the want; on the difficulty of supplying it in any other way; and on the fullness with which the desired thing satisfies the need.

To illustrate how value arises from the union of certain conditions, let us suppose a man suffering from cold and in want of protection from the air. A woolen blanket possesses the intrinsic qualities which would supply this man's wants. When the blanket is placed in possession of the man, a value is created,—a want has been supplied with a substance possessing the requisite intrinsic qualities to sup-

ply that want. The *degree* of the value of said blanket to the shivering man depends on the surrounding circumstances. It might be so that the man would regard possession of the blanket as a matter of life or death to him; or, it might be so that his wants could otherwise be easily supplied and thus give the blanket the value ordinarily possessed by it.

VALUE IS ALWAYS RELATIVE.

When a man talks of the "value" of a thing, it is only another way of saying: "*This thing*, to me, under the present circumstances, is worth more than *that thing*, or those things." Value is an idea of the relative importance to a man, under his existing circumstances, of one thing as compared with another thing. Thus a wounded soldier lying on the battle field would think a twenty-dollar gold coin of much less importance than a drink of water. This is simply because the value of the coin is not "intrinsic," but the creation of circumstances. Ordinary conditions give it its ordinary value. Extraordinary conditions either raise or lower its value to an extraordinary degree. Legislation can affect the value of coins to the extent that it can increase or diminish their relative importance as compared with other things. Whenever the relative importance of a thing which possesses intrinsic qualities adapted to the supply of human necessities and desires is increased, the advantage of owning such a thing and its value are thereby increased. Any event which makes it more difficult to obtain possession of a thing the ownership of which is desirable, increases what we call the "value" of that thing. The relative importance, and consequently the value, of one thing as compared with all other things may be changed by various events.

First. It may become smaller in actual amount, scarcer, and more difficult to obtain in consequence. Thus a short crop of wheat throughout the world makes that grain more valuable. Its importance in comparison with other things is increased.

Second. It may become larger in actual amount, plentier, and more easily obtained. An unusually large crop of wheat throughout the world diminishes the relative importance of a bushel of wheat, as compared with the importance of other things, and thus diminishes its value.

Third. The amount, the supply of a certain thing may be unchanged, and, at the same time, its relative importance and consequently its value may be either increased or diminished by other events which either increase or diminish the demand for such a thing. This fact was noted by Adam Smith, and has ever since been recognized by every respectable writer on political economy. Whenever two things are used for the same purpose and one of those things becomes plentier, or less difficult to obtain, the value of the other thing is thereby diminished. And, on the other hand, whenever one of those things becomes scarcer, or, for any reason, more difficult to obtain, the value of the other thing is increased.

Beef and mutton are used for a similar purpose. When beeves are very plenty and cheap, the tendency is for people to buy beef instead of mutton. This reduces the price of mutton. When beef is very scarce and dear, mutton is in greater demand and consequently more valuable. An increase or a diminution in the supply of mutton has a similar effect on the demand for beef.

When mules and oxen are plenty and cheap, there is less demand for draught-horses. The importance of a draught-horse is thus relatively diminished and his value lessened. When mules and oxen are scarce and high, the relative importance of a draught-horse is thereby increased and his value consequently raised.

When bituminous coal is made plentier and cheaper the inevitable effect is to lessen the use and demand for anthracite coal. If bituminous coal should become scarcer, or, for any reason, less desirable or more difficult to obtain, the value of anthracite coal would be enhanced.

Hundreds of illustrations similar to the foregoing could be cited if necessary. The curious thing is that the appli-

cation of the aforesaid established and familiar principle has been so largely overlooked in regard to the relative value of gold and silver. Prior to the demonetization of silver, gold and silver were both legal tenders, and used for the same purpose. The disuse of silver as a legal tender immediately increased the relative importance of gold; it became relatively scarcer and more difficult to obtain, and its value was therefore inevitably increased. Many persons have supposed the gold dollar unchanged in value because its weight is unchanged, and because the number of gold dollars has not been materially diminished. Such persons forget that all things are relative, and that the number of gold dollars, *relative to the demand for them*, has been largely diminished.

ONLY ONE WAY TO LEARN THE NATURE OF VALUE.

Very little substantial progress can be made toward understanding finance and kindred topics without first clearly learning the essential nature of value. There is only one way to acquire this indispensable knowledge. The student must carefully think the subject over for himself from beginning to end. If he be too lazy to do this, he will never comprehend what value is, and, necessarily, will never have a correct idea about either it or any related subject.

This consideration of value can and should be made by using the simplest and most familiar things as objects of study. Thus a person who lives near a brick-yard can find therein a practical illustration of every fact and principle heretofore discussed, concerning value. He will first observe a bank of undug clay. This he will notice has certain intrinsic qualities which make it suitable material for making bricks. He will next find that the value of clay in the bank is very small. That even this small amount of value is not "intrinsic" can readily be seen by asking: Are there not many locations wherein such a clay bank would have no appreciable value whatsoever?

The observer will next note that four thousand pounds of unworked clay are worth only a few cents, and four thou-

sand pounds of good bricks are worth ten dollars. This change of value, he will find, has arisen because changes have been made in the clay by making it into things which will supply a human want.

He may next see two piles of brick, upon each of which the same amount of labor has been expended. One pile is worth ten dollars per thousand, while the other is worth only five dollars per thousand. Upon inquiry, he will find this is so because one kiln was spoiled by unskillful burning; the requisite amount of labor was used but it did not produce the required conditions.

If told that the best bricks have an "intrinsic" value of ten dollars per thousand, the student can test the accuracy of that statement by asking: Could these bricks not be taken to a place where they would have no appreciable value? Their size, shape, weight and other intrinsic qualities would not be altered by such a removal, but their value would be destroyed by an unfavorable change of the conditions surrounding them.

In the simple manner aforesaid, the fact that value is EXTRINSIC and not INTRINSIC can be demonstrated by studying the facts relative to any familiar object to which the idea of value is ordinarily attached.*

* FALSE THEORIES IN REGARD TO LAND.

It is commonly supposed that the value of land in cities is entirely due to the amount of labor which has been expended upon it. If this supposition were correct, it would necessarily follow that land within municipal bounds, once made valuable by an expenditure of labor thereon, would maintain such value no matter what changes in other conditions might occur.

Let us test this belief by a hypothesis which would place New York City under conditions similar to those which frequently in the past have isolated great cities from the channels of commerce and reduced them to insignificance. Invention, discovery, wars, and political transformations have often changed the course of the commerce which nurtured a city. Instead of those causes, suppose an earthquake should change the relation which Manhattan Island now occupies to the United States. Suppose the Hudson River should pass through the Highlands at West Point, and a channel be opened so that its water emptied into a harbor,

far surpassing the present harbor of New York, in the middle of the coast of New Jersey. Suppose the same convulsion should place a mountain range in the lower Hudson valley and should destroy the East River and the present New York harbor.

What effect would said supposed changes inevitably have upon the value of the land now so enormously valuable? Immediately after the earthquake, commerce would begin in the new harbor. New York City would begin to move to a spot whose conditions better fitted it to be the commercial center of a great nation. The vast amount of labor heretofore expended on the land constituting Manhattan Island would not suffice to arrest its depreciation for a single day. Not another new building would be erected in New York. Land now valuable would be placed under circumstances which would render it comparatively worthless. What is now deemed the most desirable kind of property, land on the business streets of New York, would then be unsalable at almost any price.

The aforesaid events would occur because the sum total of conditions which now give value to the land of New York City would cease to exist. The condition of labor expenditure on the land would remain, but that would not avail to prevent a tremendous change of land values. It would then fully appear that the amount of labor expended on municipal land is neither the sole, nor the dominant thing, which gives and sustains its value. Such land rises and falls in value just in the proportion that it fills and supplies a commercial, industrial, and social want, not merely of the residents of the particular city in which it lies, but of the nation; and, in case of cities largely engaged in foreign commerce, the population of the entire globe. In verification of this, we have only to consider the history of the land where large and wealthy cities once stood, whose ruin was wrought by events that placed other locations under conditions which gave them greater fitness for the supply of human desires. Labor bestowed upon municipal land is simply *one* of many conditions upon which its value depends. Whether it shall raise the value of the land upon which it is expended, or not, depends on the ultimate result of such labor, viz., whether it places the land under conditions which will make it supply human wants better than other lands with which it is in competition. Unlike things which, in response to an increased demand therefor, can be indefinitely multiplied by labor, the amount of land within a given area cannot be increased. Hence, an enlarged demand for land in a certain location must result in an additional value being conferred on said land, simply because the want supplied by it has been intensified. The conditions surrounding the land have been so changed as to enable it to supply a greater need than previously.

The theory that the value of land is governed by a peculiar and special law may therefore be dismissed as untenable. But the well established

fact, that the ownership by a few individuals of very large amounts of land is a pernicious monopoly, remains for consideration, after erroneous theories relative thereto are abandoned. The remedy for such monopolies is indicated in another chapter, viz.: Sufficient taxation to make the public burdens of the owners of such land as great as the benefits they derive from its monopoly.

Whenever and wherever one man owns an amount of land sufficiently great to make such ownership an injury to the community and State, the portion of land in excess of what is necessary for the supply of his personal needs should be taxed heavily enough to induce him to dispose of it at a fair price, to those in need of homesteads. At present, on the average, the owner of one city lot, with a home thereon, pays a higher proportional tax than the capitalist who owns one thousand vacant lots. And the owner of a farm of one hundred acres is taxed relatively higher than the man who monopolizes twenty thousand acres. The present system is inequitable,—it is not fair play.

But it should be remembered that taxation is a tremendous power, and when directed by rash ignorance, an engine certain to produce great wrong and disaster. That its lands should all be managed and improved with the greatest possible economy, care, and intelligence, is a matter of the highest importance to a nation. Therefore all changes of national policy in regard to land taxation should be made slowly and cautiously, after full investigation. While seeking to abate the evils of land monopoly, care should be taken to avoid the opposite extreme, viz.: A policy the tendency of which would be to cause the abandonment and neglect of all but the most fertile and desirable lands, and make the ownership and improvement of land so unprofitable as to induce the vast majority to study how small an amount of land they shall cultivate and beautify. Baleful results would certainly flow from the adoption of measures whose tendency would be to make men more nomadic and lessen their affection for their homes.

As only one thing can be discussed and settled at a time, it would be unfortunate to have public attention concentrated on the minor question of land monopoly until the subject of paramount importance, the currency question, is first disposed of.

CHAPTER IX.

The Silver Question: It Comprehends Many Things.—Historical Sketch of the Silver Dollar.—Acts of 1834 and 1837.—Relative Value of Silver and Gold Dollars.—Option of Payment by either Gold or Silver.—Tendency of Commerce.—Established Right of both Creditors and Debtors.—Silver Coinage.—Effect of Demonetizing Silver.—Contagiousness of Vice.—False Doctrines framed into Law.—Fundamental Facts about Gold and Silver.—Attempt to Demonetize Gold.—Present Consumption of Gold in the Arts.—Origin of the War on Silver.—An Old Subterfuge.—Effect of Legislation on the Value of a Dollar.—Value of all things Dependent on the same Law.—An Example of Legislative Theft.—A Talk with a Clergyman.—One Purpose under Various Pretenses.—A Doctrine Dangerous to Creditors.—Ought the Silver Dollar to be made Heavier?—Danger of Robbing Debtors.—Debt not Disreputable.—The True Doctrine.—Nothing is more Detestable than Hypocrisy.—The Cry for Honesty.—Groundless Charges against Silver.—Why Silver does not Circulate.—Superiority of Paper Money.—The Essential Allegation in regard to Gold.—Has Gold a Fixed Value?—The Bullion Report.—Facts which Overthrow the Common Theory in Regard to Gold.—Origin of a Belief in the Fixed Value of Gold.—By Comparison with Things other than Itself, is the only Way in which We can Ascertain and State any of the Qualities of any Object or Thing.—All Ideas are Relative.—Need of Comparing One Thing with Something besides Itself.—Value of Gold should be Tested as all other Things are.—Logical Results of Comparing Gold only with Gold.—Result of unlimited Coinage of Silver.—Correct Mode of Stating the Value of Gold and Silver.—What a Price is.—Money changes in Price like other Things.—How to Test the Price of Money.—The Price of Gold.—Correct Test of the Rate of Interest.—Public Debts and Taxes.—An Example of Benevolence.—The True Explanation.—What has changed the Value of Gold.—America bearing down the Prices of American Goods.—Effect of Lowering Prices in England.—The Delusion that Gold Prices would not Fall.—Effect of Making a Metal Legal Tender.—Has Silver Depreciated in Value?—How to Test the Value of Silver.—An Official Table of Relative Prices.—Another Comparison of Prices.—Ought an Equality be Maintained between the Value of Gold and Silver Dollars?—Statements of the

New York *Tribune*.—Money should maintain a Relative Uniformity in Amount.—Stability of Prices is the Practical Result of a Stable Currency.—The 125-Cent Dollar.—Labor a Test of Value.—Silver has Risen in Value.—Why Silver has not Fallen in Value.—Silver has always Fluctuated in Value.—Why England has a Gold Currency.—Should We make Times harder in Europe?—Are Payments in Silver Honest?—Written Contracts more Reliable than Vague Understandings.—A Man cannot lose what He never Owned.—Differences in Relative Value of Gold and Silver.—A Suggestion for Consideration.— Result of Entire Demonetization of Silver.—The Idea of Coercing England.—Ought Prices to be Depressed by Legislation?—The best kind of Money.—Stable Money best for the Masses.—A Stable Currency best for Debtors.—Why different Classes have Different Ideas.—A Notorious Fact.

The present monetary and social situation of affairs will not lose interest after coming events have replaced it with different conditions. As an illustration of the inevitable tendency of certain legislation to produce certain results, it will have a permanent historical value for guidance in the formation of public policy throughout all future time.

We have now studied elementary principles far enough to begin a consideration of the silver question.

A large number of persons have learned that a silver dollar is heavier than a gold dollar, and that the materials from which it is made are worth at present less than the materials from which a gold dollar is made. These two superficial and universally conceded facts are sufficient to make them imagine themselves fully capable of writing and talking about the silver question with an air of profound wisdom. But, like all those who talk on any other subject without first giving it a careful examination, their statements and arguments are merely exhibitions of conceit and ignorance.

HISTORICAL SKETCH OF THE SILVER DOLLAR.

The first United States law in regard to coining money was made April 2, 1792. That act prescribed that the gold dollar should contain 24 75-100 grains of pure gold, and the silver dollar 371¼ grains of pure silver. From the first settlement of the country, the Spanish milled dollar had been the principal kind of metallic money in use

throughout the Colonies, and said act was framed with reference to maintaining the existing coin with no change except the inscription thereon. "There shall be from time to time, struck and coined at the said mint, dollars or units, each to be of the value of a Spanish milled dollar, as the same is now current, and to contain 371¼ grains of fine silver." The phrase, "As the same is now current," referred to the average weight of a number of silver dollars taken from the circulation by direction of the Secretary of the Treasury, Alexander Hamilton, and assayed to determine the average amount of pure silver contained therein.

Although the act of 1792 made gold a legal tender, silver continued to be the chief metallic money of this country.

The aforesaid act fixed the relative value at one of gold to fifteen of silver. The leading European nations afterwards fixed the legal relative value of gold and silver at one of gold to fifteen and a half of silver. The result was that gold became legally worth more in Europe than in this country, and silver was legally worth less in Europe than here. In Europe an ounce of gold would buy fifteen and a half ounces of silver, but in this country it would buy only fifteen ounces. The gold eagle was worth a little more than ten silver dollars, and as both creditors and debtors had the option to make payments in either kind of money, the slightly cheaper money was employed. Then, as now, the great bulk of commerce was carried on without using either silver or gold dollars, but when metallic dollars were used the silver dollar was usually selected.

On June 28, 1834, with a view of bringing both gold and silver into concurrent circulation, Congress passed a coinage law which left the weight of the silver dollar unchanged, but diminished the weight of the gold dollar to 23 20-100 grains of pure gold.

On January 18, 1837, Congress passed a coinage law which diminished the amount of alloy in the silver dollar, but left the amount of pure silver unchanged. The weight of the silver dollar was thus changed from 416 grains to 412½ grains. The same law changed the fineness of the eagle from one

part of alloy to eleven parts of fine gold, to its present fineness—one part of alloy to nine parts of gold. This change was from one-twelfth to one-tenth alloy. At the same time the amount of pure gold in the dollar was increased 2-100 of one grain.

ACTS OF 1834 AND 1837.

The net result of the said acts of 1834 and 1837 was this: The amount of alloy was changed. The amount of pure silver in the silver dollar was left at the original amount, 371¼ grains. The amount of pure gold in a gold dollar was changed from 24 75-100 grains of pure gold to 23 22-100 grains.

Said acts reduced the weight of a gold dollar more than it should to have the legal value of gold in this country conform to the legal value of gold in European nations; to wit, one part of gold to 15½ of silver.

Instead of conforming to the European ratio, as should have been done, Congress changed the weights of the coins so that one pound of gold coins was equal in value to nearly 16 pounds of silver; or 15 988-1000 pounds, to speak accurately. This change increased the price of gold at the United States mints (that is, less gold was required to coin a dollar) to the extent of 6 589-1000 per cent. The value of a gold dollar coined by virtue of those acts was thus reduced to that extent. The effect of legislation on value once more became apparent soon after this change in the relative value of gold and silver at the mints in this country.

American legislation decreed that about sixteen pounds of silver were required to buy one pound of gold. But the mints of Europe called one pound of gold worth only 15½ pounds of silver. A merchant could buy a pound of gold in Europe by giving 15½ pounds of silver for it; he could then bring that pound of gold to this country and sell it for nearly 16 pounds of silver. After paying expenses of purchase, shipment and sale, a profit could be made by buying silver in this country for gold, taking the silver to Europe and selling it there for gold.

RELATIVE VALUE OF SILVER AND GOLD DOLLARS.

From the passage of the act of 1834 until the demonetization of silver in 1873, the silver dollar was worth a little more than the gold dollar. The following table, furnished by the director of the mint, shows the relative value of the silver and the gold dollar from 1834 to 1873.

Year	Value of a silver dollar of 412½ grains in gold.	Year	Value of a silver dollar of 412½ grains in gold.	Year	Value of a silver dollar of 412½ grains in gold.
	Cents.		Cents.		Cents.
1834	101.62	1848	100.88	1862	104.16
1835	101.20	1849	101.30	1863	104.06
1836	101.72	1850	101.83	1864	104.06
1837	100.98	1851	103.42	1865	103.52
1838	100.88	1852	102.57	1866	103.63
1839	102.36	1853	104.26	1867	102.67
1840	102.36	1854	104.26	1868	102.57
1841	101.88	1855	103.95	1869	102.47
1842	100.77	1856	103.95	1870	102.67
1843	100.34	1857	104.69	1871	102.57
1844	100.88	1858	103.95	1872	102.25
1845	100.46	1859	105.22	1873	100.46
1846	100.56	1860	104.58		
1847	101.20	1861	103.10		

As appears from the foregoing table, gold was the cheaper metal for the entire period above named in this country. Meantime gold and silver at the ratio of 15½ of silver to one of gold circulated at an equality of value throughout France, Germany and the other leading nations of Europe.

OPTION OF PAYMENT BY EITHER GOLD OR SILVER.

In this country the steadily recognized right of all persons to make a required payment of "dollars," either in silver or in gold at his option, caused gold to be generally used in place of silver. No outcry was raised about the use of "cheap money," and no one was accused of dishonesty because he did not make payments in silver,—the most valuable

kind of money. Compared with silver, gold was "depreciated," but the right to use it as a legal tender at the legal rate of 23 22-100 grains of pure gold was unquestionable. At the same time the right of any one to pay an obligation in silver dollars was fully established both by law and by public sentiment. That comparatively few persons did so, but paid in the cheaper metal, did not in the least affect their right to make such a payment if they so desired.

The reader will please here note the important fact that from 1792 up to 1873 the United States mints were open for the *unlimited coinage* of both gold and silver. Any holder of bullion, no matter whether it was gold or silver, could send it to the mints and have it coined at the public expense into the standard national coins. The idea of limiting the coinage of either silver or gold to a certain amount per month was unheard of.

How this ancient and established order of things, and how the moral and legal right of all persons to choose in which one of the said methods they would make a payment required of them, came to be changed so that the legal right no longer existed, we will next consider.

Before proceeding further in the history of the coinage legislation of this country, several important points must be noted and borne in mind.

First. Although both gold and silver were a legal tender for all purposes, and there was no restriction whatever on the coinage of either metal from 1792 to 1873, yet, in fact, one of the metals was constantly used as money more than the other. The other metal was not banished,—it remained a legal tender and was always used to some extent. The metal whose bullion value was lowest was employed as money far more than the metal whose bullion value for the time being was highest. This arose from two facts.

TENDENCY OF COMMERCE.

Commerce naturally seeks the least expensive modes of transaction. The fact that the least expensive money is always used whenever a choice is possible is a simple thing

which has been generally treated by "economists" as a wonderful law of finance.

ESTABLISHED RIGHT OF BOTH CREDITORS AND DEBTORS.

It was an implied part of every contract which called for the payment of a specified number of "dollars" that those dollars should consist of either one of the legal-tender moneys of the nation. This option naturally led persons who paid money, either as loans or in payment of debts of any kind, to employ the kind of "dollars" most readily obtained, and these were usually dollars whose bullion value was lowest.

Second. It was the established policy of the country to have two kinds of legal-tender metallic money. The object was, by having a larger amount and variety of metal from which to coin money, to secure a greater stability of the value of the coins than was possible by the use of a single metal. It is more difficult to overturn a body with a large base than a body with a small base. A small body of water is much more easily raised or lowered in temperature than a large body of water. The larger the amount of valuable metal from which money is coined, the less that money is liable to vary in value.

Although one of the precious metals for a time might be in use as money to only a small extent, yet it was still performing a useful function. It was standing guard over the fluctuations in value of the metal most in use, ready to step in and fill its place whenever a failure of mines, or an increased demand from any other cause, should unduly increase the value of the metal, which for some time had been cheapest and most generally employed. The tendency of one of a pair of precious metals to act as a balance and check on an undue rise in the value of the other has been twice illustrated in a marked manner by the history of our coinage.

After the coinage act of 1834, silver rose in value, but no commercial disturbance occurred in consequence, because its fellow metal, gold, at once came into circulation and steadied values. After 1834, owing to the fact that silver was

worth more for shipment abroad in form of bullion than for coinage in the standard dollar of 412½ grains, comparatively little silver was coined at the United States mints.

The great money-lenders of Europe began the war on silver at the Paris convention in 1867. Thereafter it was apprehended and foreseen that legislation would soon be enacted which would place gold under such different conditions from what had existed from time immemorial that the demand for it, and consequently its value, would be largely increased.

SILVER COINAGE.

In 1868 the coinage of silver dollars at the United States mints was 54,800. In 1869 the value of gold had risen to such an extent that silver dollars, to a greater extent than previously, began to be coined at the United States mints, and this coinage proceeded as follows:

1869	231,350
1870	588,308
1871	657,929
1872	1,112,961
1873	977,150

EFFECT OF DEMONETIZING SILVER.

It will be observed that the amount of coinage was steadily increasing until 1873, *when the coinage of silver dollars was stopped.* The law stopping the coinage of silver dollars was passed February 12, 1873. The above figures therefore represent only a fraction of 1873. There is every reason to believe that if the coinage laws had not been tampered with, the coinage of silver dollars before the close of 1875 would have risen to forty millions per annum. Silver coinage, by diminishing the demand for gold, would have prevented the value of gold from rising to the price it reached at that time and soon after. This would have saved thousands from bankruptcy through forced sales at ruinously low prices. By giving stability to values, it would have averted the apprehension and fear of the future which paralyzed enter-

prise and threw labor out of employment in 1876, 1877 and 1878.

Third. Prior to 1873, the chief argument of those opposed to paper money was a recital of the fact that as the materials from which gold and silver coins are made are limited in their amount by nature, the value of metallic money is not subject to the caprice of legislators. They said: "Laws can readily change the value of paper money; but it is generally admitted that legislators have no right to meddle with the coinage of metallic money, and thereby change existing contracts to the detriment of either debtor or creditor."

Fourth. While comparatively few persons were familiar with the fact that the value of gold and silver, like all other values, is dependent entirely on surrounding conditions and circumstances, and that changes in those conditions and circumstances inevitably produce fluctuations in the value of those metals, it was universally known that it is much easier to obtain money in what are called "good times" than in periods which are called "hard times." In practical application of the foregoing fact it was an implied part of every contract either to pay, or to receive money, at a specified future time, that both parties to the contract should incur an equal risk of the money being hard or easy to get, and therefore more or less valuable, when said time arrived.

CONTAGIOUSNESS OF VICE.

No disease is more contagious than vice. This is especially so when vicious desires are put in form of criminal acts, and these acts are both committed and sanctioned by those whom the majority of the community regard as the best examples of rectitude. In 1869, as we have heretofore seen, Congress changed existing contracts and thereby committed a colossal theft at the instigation of holders of United States bonds, and with the sanction of the majority, who claimed to be actuated by the purest principles of "honesty." The profitable result of this transaction nat-

urally led its authors and their imitators to consider and devise means of reaping another harvest from a similar legislative enactment which would insidiously change existing contracts, and practically carry out the following ideas proclaimed, in substance by the organs of the money-lenders:

"The obligation to fulfill contracts does not apply impartially to all men under all circumstances. The debtor and the tax-payer are always bound to pay the exact number of dollars named in the contract; but the creditor has a right to go to Congress and promote laws which will change his contract whenever events make it less advantageous to him than he hoped it would be when he made the bargain. The risk, which every one who makes a contract to be executed in the future inevitably incurs, that the word 'dollars' shall then have a different meaning, should be borne only by the debtor and the tax-payer."

FALSE DOCTRINES FRAMED INTO LAW.

The foregoing detestable ideas were slyly incorporated into Congressional law February 12, 1873, by the cunning device of simply omitting from the revision of the coinage laws all mention of the silver dollar. President Grant, who signed the revision in order to make it a law, did not know that silver was thereby demonetized. By this act a vast amount of existing bonds, mortgages and other contracts, which were originally payable in either silver dollars or gold dollars at the option of the debtor, were made payable in gold dollars. The option which previously existed was canceled. At that time it was foreseen that silver would soon be chosen by the debtors as the means of payment if the bargain between them and their creditors were not altered by legislation, and emboldened by the success of the act of March 18, 1869, the money-lending interest procured the foregoing change in the contract existing between them and their debtors.

This change of law, which practically was a theft of hundreds of millions of dollars, was made with so little publicity that not one person in a hundred thousand had knowledge of it until long afterward. There was no debate on the question, and, in fact, the general public had no infor-

mation whatever of what was being done. The statutes were revised in the committee room and quietly passed by Congress. Who the authors of this plot were, we do not know. But their existence and the class which they represented can be stated with the same certainty that the naturalist describes birds whose foot-prints before historic times were left on the sands. The natural inference as to who instigated the aforesaid revision is conclusively proved correct by the known facts that this legislation has ever since its passage been approved by the money-lenders.

A man becomes responsible for the unauthorized and wrongful acts of his servant whenever he adopts and defends them as his own. A defender of unjust legislation is as guilty as those who enacted it.

FUNDAMENTAL FACTS ABOUT GOLD AND SILVER.

Before further considering the justice and wisdom of demonetizing silver in this country let us briefly review the events in European countries which have made this question of such great importance.

We have seen that up to 1872 silver and gold, at the ratio of fifteen and one-half ounces of silver to one of gold, circulated at an equality of value throughout Europe. In this country, at the ratio of nearly sixteen to one, the silver dollar was worth a little more than the gold dollar. At present the gold dollar is worth over 20 per cent. more than the silver dollar. What has made this change of relative value? Prior to 1872, it was almost universally taught and believed, the world over, that silver and gold had a "fixed value." Now it is generally stated that the value of silver is a "fluctuating value." If silver had a "fixed value" for centuries, what has recently made it fluctuate in value?

The physical qualities of both silver and gold are precisely the same as they were at the earliest period of which we have knowledge. No change whatever has occurred in the inherent, intrinsic qualities of either one of those metals,

and therefore the change in their relative value cannot be due to such a cause.

The natural laws under which silver and gold had a relative value prior to 1872 are unchanged and unchangeable. Natural laws are never repealed either in whole or in part. Consequently we must dismiss the idea that a natural law gave silver a "fixed intrinsic value" up to 1872, and since that time this law has ceased to operate.

Since 1872 there has been no materially increased production of silver.* On the contrary, many silver mines

* The following statements and tables are taken from a pamphlet published by the National Bi-metallic Coinage Association, 1886.

GOLD AND SILVER PRODUCTION.

The advocates of the single gold standard have within the past few years raised the cry "of dearth of gold and abundance of silver." To probe the truth of this assertion we have only to compare the gold and silver productions in past times, starting our investigation and comparison with the discovery of America, A. D. 1492.

The yearly average, according to the best authorities,—at the head of which Baron Alexander Von Humboldt's work, "Essai sur la Nouvelle Espagne," stands,—was about 5000 pounds of gold and 20,000 pounds, avoirdupois, of silver from 1493 to 1500.

The fairest and most easily comprehended method of comparison would therefore be in groups of twenty years.

WORLD'S PRODUCTION, ESTIMATED IN POUNDS FOR TWENTY-YEAR PERIODS.

YEARS.	GOLD.	SILVER.
	Avoirdupois pounds.	Avoirdupois pounds.
1501 to 1520	255,200	1,880,000
1521 to 1540	315,040	3,968,800
1541 to 1560	374,440	13,710,400
1561 to 1580	300,960	13,178,000
1581 to 1600	324,560	18,431,600
1601 to 1620	352,880	18,607,600
1621 to 1640	365,200	17,318,400
1641 to 1660	385,880	16,017,200
1661 to 1680	407,440	14,828,000
1681 to 1700	473,660	15,043,600
1701 to 1720	564,080	15,646,400
1721 to 1740	839,520	18,972,800
1741 to 1760	1,082,840	23,458,380

have fallen off in productiveness, and the reports of enormous amounts of silver ore in sight in the Nevada mines, which were published from 1865 to 1869, have been shown erroneous. During the discussion about the silver bill in 1878, its opponents gravely stated that five hundred million

YEARS.	GOLD.	SILVER.
	Avoirdupois pounds.	Avoirdupois pounds.
1761 to 1780	911,020	28,718,560
1781 to 1800	782,760	38,678,000
1801 to 1820	564,542	22,039,260
1821 to 1840	759,010	30,291,690
1841 to 1860	5,633,988	36,876,870
1861 to 1880	7,920,264	69,012,574

The above returns show plainly that the production of gold has increased in much greater ratio than that of silver. Since 1741 to 1760, when the new mines of Brazil and Bolivia were discovered, up to the present day, the production of gold has increased sevenfold, while that of silver only threefold.

WORLD'S PRODUCTION OF PRECIOUS METALS, ESTIMATED IN DOLLARS FOR DIFFERENT PERIODS.

From 1501 *to* 1883, *inclusive.*

YEARS.	GOLD.	PER CENT.	SILVER.	PER CENT.
1501–1600	$478,362,240	33.8	$972,267,840	66.2
1601–1700	600,982,800	27.2	1,608,690,240	72.8
1701–1800	1,272,360,480	34.1	2,464,119,360	65.9
1801–1850	793,392,240	35.9	1,413,666,000	64.1
1851–1855	661,286,880	77.6	191,400,960	22.4
1856–1860	689,888,880	77.9	195,478,320	22.1
1861–1865	619,788,480	72.3	237,828,960	27.7
1866–1870	642,481,200	69.0	289,248,480	31.0
1871–1875	571,416,480	57.3	425,395,920	42.7
1876	106,286,588	51.7	99,305,538	48.3
1877	113,947,173	58.4	81,040,655	41.6
1878	119,092,786	55.7	94,882,177	44.3
1879	108,778,807	53.7	96,172,628	46.3
1880	106,436,786	52.4	96,704,978	47.6
1881	103,023,078	50.2	102,168,354	49.8
1882	98,699,588	47.3	109,952,251	52.7
1883	94,027,901	45.2	114,217,733	54.8
383 years	$7,180,252,387	or 45.6	$8,592,540,394	or 54.4

dollars' worth of solid silver lay exposed in the Andes ready to be sent to market and coined as soon as the chaos-producing silver bill should be enacted. But nothing has been since heard of this great mine. Therefore the theory that the relative fall in the value of silver is due to an increase in the production of silver mines must be placed in the list of fancies unsupported by facts.*

WORLD'S PRODUCTION OF GOLD AND SILVER FOR 383 YEARS, ESTIMATED IN DOLLARS, FOR DIFFERENT PERIODS OF TIME.

From 1501 *to* 1883, *inclusive.*

	GOLD.	PER CENT.	SILVER.	PER CENT.
350 years	$3,145,097,760	32.8	$6,458,743,440	67.2
25 years	3,184,861,920	70.4	1,339,352,640	29.6
8 years	850,292,707	51.8	794,444,314	48.2
383 years	$7,180,252,387	45.6	$8,592,540,394	54.4

The above tables show conclusively that the total production of gold since 1871 has been greater than the production of silver during that time. The fact of a relatively small increase in the production of silver for a few years does not change the total result. Since the time when the silver dollar of 412½ grs. was worth 2.57 per cent. more as bullion than the gold dollar of $25\frac{8}{10}$ grs., as bullion, the relative production of those metals was as follows:

Production of gold from 1871 to 1883..........$1,421,709,187
Production of silver from 1871 to 1883..........$1,219,840,234

Said figures demonstrate that the altered relative value of gold and silver is due to the altered condition produced by demonetizing silver.

See statistics published in report of United States Silver Commission of 1877, and various reports of the director of the United States Mint since that date. Also statements of the Secretary of the Treasury made December, 1885, in appendix of this volume.

* That one of two metals, both of which are a full legal tender with unlimited coinage, may be enormously increased in amount without suffering any considerable depreciation in value relative to the other metal, is fully shown by the results which have occurred at different periods after the world's stock of the precious metals has alternately been increased by the addition thereto of more silver than gold, or more gold than silver.

One of the highest authorities on the precious metals, Prof. William P.

Moreover, if such increased production did exist, while it would produce a fall in the value of silver, it could have no part in creating the new feature in the attributes of silver which those who favor gold as the sole currency declare its most objectionable quality; to wit, "*a fluctuating value.*" This gives us a greater interest in finding out why silver has lately taken to itself a quality which it never had before, than to know why it has fallen relatively in value.

We look in vain for an explanation of the recent facts

Blake, computes the total production of gold and silver throughout the world from 1848 to 1868 as follows:

Total production of gold...	\$2,757,600,000
Total production of silver.....................	813,400,000
Excess of gold production....................	\$1,944,200,000

By reference to the table, published by the director of the United States mint, giving the relative value of a gold dollar of $25\frac{8}{10}$ grs., and a silver dollar of $412\frac{1}{2}$ grs., at those periods, we find the relative value of those coins as follows: Value of a silver dollar of $412\frac{1}{2}$ grs. stated in gold, in 1848, was 100.88, and 102.57 in 1868.

Thus it appears that the production of over nineteen hundred million dollars' worth of gold, from 1848 to 1868, in excess of the production of silver, made a difference in the relative value of the gold and the silver dollar of only one and sixty-nine hundredths per cent.

The reason of this fact is obvious when the nature of value is borne in mind. So long as both metals are a full legal tender and have unlimited coinage, they both perform the same monetary functions, and, as the raw material of money, are under similar conditions. Relative to all other commodities, they may both either rise or fall in value, while their respective values, *relative to each other*, have undergone comparatively little change. Thus, for the forty years immediately preceding 1848, according to Prof. Jevons, both gold and silver, relative to all other commodities, rose 145 per cent. in value. Meanwhile their value, relative to each other, was substantially unchanged.

If during that time one of those metals had been generally demonetized, a material change would at once have occurred in the conditions under which it was placed, and a wide divergence of its value, relative to the other metal, would have inevitably resulted from the altered conditions.

From 1848 to 1868, both gold and silver, relative to all other commodities, fell over 20 per cent. in value. This was due to the great produc-

regarding silver until we turn to the legislation of European countries. We then find a series of enactments which took place just before the aforesaid changes in the relative value of silver, and we observe that these changes became more marked just in proportion to the number and power of those legislative forces. Cause and effect are closely linked together; and, as we shall hereafter see, the probable cause is amply sufficient to produce the obvious effect.

ATTEMPT TO DEMONETIZE GOLD.

Europe is mostly governed on the theory that the rich and the privileged should make and administer the laws for their own benefit just as far as can safely be done without risk of goading the masses of the population to desperation, and thereby bringing on a revolution which might endanger both the property and lives of those now the dominant classes. The creditor classes make the laws of Europe. The debtors and tax-payers perform most of the labor, and support both themselves and the governing classes.

Shortly after the discovery of gold in California and Australia, the ruling classes of Europe became anxious lest that event should impair the value of their bonds, and thus lessen the amount of labor and tribute rendered them in form of interest, salaries and rents. Hence they began to devise means whereby their just obligations to receive a certain amount of coin in payment of debts could be repudiated under the plausible pretense of a measure for "the public interest." The proposition to demonetize gold and make silver the sole legal tender was discussed with consid-

tion of gold during that period. But, as heretofore seen, the value of those metals, *relative to each other*, underwent comparatively little change, as both were largely under similar conditions; to wit, legal tender with unlimited coinage. An increase in the production of gold depreciated the value of silver to nearly the same extent that it did the value of gold. In like manner, an increased production of silver would have nearly the same effect on the value of gold as on the value of silver; provided both metals were full legal tenders with unlimited coinage.

erable prospect of its general adoption. Holland in 1847 had demonetized gold. Prussia and Austria in 1857 practically made silver their sole legal-tender money. The movement for the demonetization of gold would probably have become general throughout Continental Europe had it not been for the attitude of France. That nation retained a lively remembrance of the lurid event called the French Revolution, when the masses, maddened by oppression, arose and spread flame and carnage through the land. France retained the double standard of both gold and silver at the ratio adopted by her in 1803, to wit: one of gold to 15½ of silver. This probably saved the world in 1860 from a financial crisis caused by demonetizing gold, similar to the perturbations now existing from the disuse of silver.

In 1857 the annual production of gold declined, and has on the average declined steadily from that time to the present. Knowledge of this fact has stopped all agitation in favor of making silver the sole legal tender.

PRESENT CONSUMPTION OF GOLD IN THE ARTS.

Neither the production of gold, nor the amount of it used in the arts, is ever accurately known. Our knowledge of such things is necessarily approximate. But from the most careful estimates made, the conclusion is reached that the annual consumption of gold in the arts has so increased that it now ~~equals~~ the yearly product of the mines. Thus the constantly increasing growth of commerce and population is not met with a corresponding increase in the metal which several nations now use as almost the sole material from which to manufacture money.

ORIGIN OF THE WAR ON SILVER.

In 1861 the Nevada silver mines attracted attention, and during that year produced about two million dollars' worth of silver. The production steadily rose until 1867, when the annual product reached thirteen and a half millions. Coupled with this actual increase of silver production, the most extravagant reports of the discovery of solid masses

of silver were published.* These statements were circulated in Europe, and produced a profound impression among the money-lenders.

The agitation a few years previously in favor of demonetizing gold had attracted their attention to the feasibility of increasing the value of money by diminishing the number of metals from which it could be coined. They were somewhat alarmed ; and all experience tells us there is nothing at once so unreasoning and so remorseless as frightened selfishness. The tide of sentiment among the ruling classes, that a few years before had been flowing in favor of demonetizing gold, now turned toward striking silver out of the statute books as a legal-tender money. But this change was one of form, and not of substance. In both cases the essence and intent of the proposed diminution of the legal-tender metals was to add to the wealth of the creditor classes by making money and obligations to pay money more valuable by lessening the volume of legal coins.

* Mr. Ross Browne, an agent of the United States, wrote a report containing the following :

"The time is not far distant when the price of the precious metals, as compared with other proceeds of human labor, must fall. The vast improvements that have been made both in gold and silver mining, within the last 20 years, are applied only to a few mines. . . . . If all the argentiferous lodes of Mexico, Peru and Bolivia, known to be rich, were worked with the machinery used at Washoe, their yield would really flood the world. . . . . New deposits of silver will be found, and innumerable rich lodes on the Pacific slope of the United States, not yet opened, will be worked with profit. The present enhanced prices of commodities and labor, the world over, measure, to some extent, the increasing quantity and consequent depreciation in the value of the precious metals, and clearly indicate the direction the change is taking. . . . . These two streams of the precious metals, poured into the current of commerce in full volume, will produce perturbations marked and important. . . . . The creditor, public and private, will be affected by this tendency."

Events have conclusively shown the gross error of the aforesaid report.

AN OLD SUBTERFUGE.

In 1867 a so-called monetary convention was held in Paris. The ostensible purpose of this meeting was to enable scientific men to confer and decide what constituted the best kind of money. Its real purpose was to create a pretext that would enable the ruling classes, under the guise of a scientific reform, to make gold the sole legal-tender coin, and thus add to the wealth of the promoters of this "scientific" scheme. As was well known before the convention met, the so-called "scientists," who in fact were merely the servants and attorneys of the money-lenders, found that gold should be made the sole legal tender.

Of all the tricks which have been employed in this hypocritical world to deceive mankind, that of calling a meeting of pretended authorities on a certain subject for the purpose of delivering an opinion known beforehand by the projectors of the meeting, is at once the most frequent and ancient. Formerly, chieftains who wanted to rob another people would call a meeting of priests under pretext of a desire to learn whether the Lord favored their scheme. These conventions invariably found an exact coincidence between the desires of their masters and the mind of the Supreme Being. Thereupon the enterprise was pronounced a holy war, and carried on with great zeal and piety. Recently, great crimes have been committed and justified under the pretense that such conduct was in accordance with the most profound teachings of science, and in harmony with natural laws which decree the "survival of the fittest."

On December 4, 1871, Germany began to incorporate the doctrines of the Paris convention into law. She then stopped the coinage of silver and began to coin gold. July 9, 1873, another law was passed which provided that after three months' notice, thereafter to be given, gold should be the sole legal-tender coin, except for small change. The practical effect of these laws was an immediate change in the conditions surrounding gold and silver. An increased

demand arose for gold, and this at once increased its relative value as compared with silver. Prices of labor and commodities fell, and an era of "hard times," from which she has not yet recovered, settled upon Germany.

On the 18th of December, 1872, by a convention between the different States, Sweden, Norway and Denmark adopted gold as the legal-tender money and demonetized silver, except for small change. Each of these countries has since that time carried out the provisions of said convention.

In 1876 Spain announced her intention to make gold the legal-tender money of that country. In 1874 the Latin union, composed of France, Belgium, Italy, Switzerland and Greece, made a treaty which limited the coinage of silver in their different countries. The object of this union appears to be to unite those nations in such a common policy regarding coinage as events may make appear best for the interest of the governing classes of those countries. In 1873 Holland temporarily suspended silver coinage. She afterward resumed coinage until 1875, when its suspension was ordered.

Japan has also recently made gold the national money. A large amount of gold will continually be required by the millions of that country.

EFFECT OF LEGISLATION ON THE VALUE OF A DOLLAR.

Let us now consider the practical effect on the value of gold which has been produced by the aforesaid legislation. In order to do this we must first consider facts which determine the value of money.

The value of a pound, a franc, a dollar, or any other one of the units which form a national money is chiefly determined by the number of those units in circulation. An increase in the total amount of money tends to diminish the value of each one of the units which compose it. A diminution in the total amount of money tends to increase the value of each one of the units of which the money consists. Whether these units be called pounds, dollars or

any other name, makes no difference in the result of increasing or diminishing their number.

But the aforesaid effects are produced by an increase or a diminution in the number of monetary units *relative* to the amount of business they are used to transact. If the amount of money in a certain country, or in the world, remain stationary, and the population, wealth and commerce increase, the value of money rises because its amount is lessened relative to the duties it performs. Therefore it follows that *the relation which the amount of money in a country bears to its use* is the dominant thing which determines the value of one of the units of that money. If the use for money remain stationary, and its amount be diminished, the value of the remainder is enhanced. If the amount of money be increased relative to the demand for it, the value of each one of the units of that money is diminished. The absolute amount of money in a country may be increased without diminishing the value of each one of its components, provided this increase coincides with an increase in the wealth, population and commerce of that country. In such case, the *relative* amount of money is unchanged, and therefore its value is not affected.

VALUE OF ALL THINGS DEPENDENT ON THE SAME LAW.

The value of potatoes depends on the number of bushels in market *relative* to the demand for them. The value of the units which form the national money depends on the same principles as the value of potatoes.

The aforesaid principles and facts, and kindred ones which flow from them, arise from changes in the conditions and circumstances under which money is placed. If ten men be required to properly manage a ship in mid-ocean and three of them die, additional duties are thrown on the survivors and the services of each individual becomes more valuable. On the other hand, if thirteen men occupy a place, the duties of which can readily be performed by ten, the labor of each one of the thirteen is less valuable than it would be if he performed one-tenth the total labor. The

value of each man's service depends on the circumstances under which that labor is performed, and a similar thing, for a kindred reason, is true of the value of each one of the units which form a national currency.

The control of legislation over the value of money arises from the power to change the conditions which surround it by increasing or diminishing its amount. As money is used to compute the value of all other things, it follows that legislation, by changing the relative amount of money, can affect the price of labor, and of everything bought and sold in the country governed by such legislation. As the amount of debts due from individuals, corporations, municipalities and nations is constantly enormous, and as the obligations which represent those debts call for the payment of a certain *number of units*, without regard to the value of each one of them, it also follows that any material change in the value of money caused by legislative enactment is always a legal robbery of either the creditor or the debtor class.

AN EXAMPLE OF LEGISLATIVE THEFT.

A borrows $1500 of B and agrees to repay him ten years thereafter. When the loan was made the wages of a common laborer were, and for a long time had been, $1.50 per day and wheat was worth $1.50 per bushel. The loan therefore represented one thousand days' wages, or one thousand bushels of wheat.

Before the ten years expire silver is demonetized, the number of coins in circulation is diminished and each one of those remaining becomes scarcer and more valuable. Wages fall to one dollar per day and wheat to one dollar per bushel. When the debt falls due it represents fifteen hundred days' labor, or fifteen hundred bushels of wheat. The debtor cannot say to the creditor: "I borrowed the value of one thousand days' labor, or one thousand bushels of wheat. A thousand dollars will now buy either of those things. Here are your thousand dollars." He must pay the number of dollars called for by the contract, not the

amount of value represented by those dollars. This is so simple a matter that it is strange many otherwise intelligent people are puzzled by it.

A TALK WITH A CLERGYMAN.

Let us illustrate this by an actual occurrence. In the winter of 1877, a clergyman, of the kind usually styled "intellectual," asked what had best be done with one of his debtors who had recently failed to pay the interest on a mortgage which the reverend gentleman held on the debtor's house. The clergyman said: "As provisions, clothing and coal are all cheaper now than when he paid his interest, I do not see any good reason for such neglect of duty."

"How much is the interest on your mortgage?"

"Sixty dollars a year; this is precisely the same that it was when it was promptly paid."

"How does this man get money?"

"He has a horse and cart, and works with them himself by the day."

"Then, in order to get a living his only resource is to sell his own labor and that of his horse from day to day. How much did he daily get from such a sale when the loan was made?"

"I never thought that a man who worked for wages *sold* anything. But I don't know but it is so. I believe he said that he got four dollars a day, and so I thought the loan was safe."

"Then, when he got the money, the sale of fifteen days' work would pay a year's interest. What does he now get from the sale of a day's wages?"

"He told me that he did not average over a dollar and a half a day."

"Do you not see that it now takes forty days' labor to pay your interest instead of fifteen days'?"

"I had not thought of the matter in that light. But you must concede that it does not cost him as much to live as it did."

"It is true that his expenses cost a less number of

'dollars' than they did. But that is a delusive test. The only way this man has to pay his expenses is from the sale of his labor. He cannot sell a day's labor for as much, and as many, of the necessaries of life now as he could five years ago. Therefore, his living costs him, *of what he has for sale*, more now than then. Furthermore, the interest must be paid from what is left after the things absolutely needful to keep himself and family alive are first paid for."

"I suspect your views on political economy are new, and not in harmony with established authorities. A gold dollar has always a fixed value."

"Can your debtor get as many gold dollars now for a week's work as he could a few years ago?"

"I believe not. But that has nothing to do with the matter. This conversation is growing unpleasant. Good-morning."

ONE PURPOSE UNDER VARIOUS PRETENSES.

Under various pretexts, silver was demonetized both in Europe and in this country for the express purpose of making the remaining money more valuable.* The practical effect was precisely the same as would have occurred if, instead of demonetizing silver, the weight of both the silver and the gold coins had been increased. An increased amount of metal in each coin would have necessitated a diminution in the number of those coins, and the present results would have been produced with both silver and gold coins in their former position of legal tenders. The dishonesty of the transaction would then have been *plainer* than at present, but no greater.

* A large number of persons have favored making gold the sole legal tender, without any desire to commit an injustice. But those ignorant of the inevitable result of such a measure are merely private soldiers in an army whose officers have a definite purpose which they know will be accomplished by diminishing the amount of metal from which legal tender can be coined. This is shown by the pertinacity with which they adhere to their scheme after its mischievous nature has been fully demonstrated.

As heretofore stated, it was formerly held sound doctrine that the number, and therefore the value, of coins could only be justly modified by a relative increase or decrease in the amount of gold and silver bullion in the world; and that the risk of the occurrence of one or other of these contingencies should be borne equally by all parties to contracts to be executed at a future time. Judging from the past history of the production of gold and silver mines, it was deemed improbable that such semi-natural causes would occasion any change in the value of either gold or silver rapidly enough to make a serious difference in their value within a few years. Upon this presumption, coupled with the idea that legislative interference with the value of coins was unlikely to occur, lay the supposed great advantage of a metallic over a paper currency. But the idea that legislatures should not meddle with the value of coins has recently been practically abandoned.

A DOCTRINE DANGEROUS TO CREDITORS.

In Europe, under the thin pretense of "establishing a scientific currency," and in this country of "honesty," the coinage laws have been changed by the creditor class, thereby changing and repudiating their own bargains for the sole and express purpose of robbing the debtor and the laboring classes. The old idea that the value of metallic money was not, and of right ought not to be dependent on the caprice of legislators has been virtually replaced by the doctrine that governments of right ought to change the value of metallic money whenever in their judgment such change is necessary to promote the interests of the creditor class. The essence of all the clamor which is raised in this country for "honest money" is the dangerous doctrine that the majority in Congress have a right to change the standard of value, and enact laws which will legalize robbery; *provided*, it be done in the interest of creditors and under pretense of "honesty."

If the class in control of the Government have a right to do as they have recently done, then it logically follows

that if the debtor class should obtain legal power it would have the right to make laws, the practical effect of which would be to rob the creditors. With justice equal to the demonetization of silver, the debtors might enact a decrease in the weight, and consequently an increase in the number, and a decrease in the value of both gold and silver legal-tender coins. In such case the aforesaid supposed debt of A could be paid with seven hundred and fifty days' labor, or seven hundred and fifty bushels of wheat, because wages would then advance to two dollars per day and wheat to two dollars per bushel, or perhaps to still higher prices.

OUGHT THE SILVER DOLLAR TO BE MADE HEAVIER?

Without having studied the matter, many well disposed people have been led by plausible arguments to favor an increase in the weight of the silver dollar as a just solution of the silver problem. The exact nature of this proposition can perhaps be more easily seen by using an example.

Suppose a number of persons should contract to purchase one hundred million bushels of wheat, to be delivered five years hence at one dollar per bushel. Suppose they should, after making this contract, manipulate legislation and have the size of the bushel measure increased to thirty-six quarts, and should justify their conduct by saying that as wheat had fallen in value, "honesty, morality and religion" sanctioned an increase in the size of a bushel. Suppose the sellers of the wheat should ask for a restoration of the old standard and the buyers should then call them "repudiators" who wanted "cheap" bushels. Would not the sellers of the wheat justly have a poor opinion of the honesty of the buyers? Those who denounce the old 412½ grain dollar act precisely as the buyers in the above supposed case. They want to change the size of the bushel: they ask that the bargain be violated and more grains put in place of the agreed number.

DANGER OF ROBBING DEBTORS.

These men have not considered what results might flow from the success of their schemes.

If Congress can justly increase the weight of the silver dollar, it has a right to increase the weight of the gold dollar. It also follows that Congress has a right to *diminish* the weight of both the gold and the silver dollar.

In general terms, the Southern and Western States are the debtor States; the Eastern States, Pennsylvania and New York are the creditor States. Suppose the debtor States should obtain control of the national Government, and, smarting under a sense of unjust dealing, should say to the creditor States: "You have robbed us by increasing the value of coins. You have changed the meaning of the word 'dollar.' Now, to make things equal, we will give you a taste of your own medicine. We will change the meaning of the word dollar in our interest."

When a class in control of the Government use their power for the purpose of legally plundering others, they have no right to complain if the tide turn and the robbed becomes the robber. History is full of such retribution.

When public policy requires a change in any of the standards of coinage, the sanctity of existing contracts should be respected: the new money should apply only to new contracts. If this obviously just principle were adopted, and suitable measures taken to prevent its evasion by unscrupulous persons, the clamor for an "honest silver dollar" would immediately end, as its motive would be gone.

DEBT NOT DISREPUTABLE.

For the past twenty years a persistent effort has been made to covertly teach the doctrine that it is disreputable to be in debt, and that therefore the laws should be made to aggrandize creditors at the expense of debtors. Curiously enough, these doctrines are put forth by men who are constantly asserting that legislation has no effect upon value.

No one can borrow without some one will lend. If the borrower commit a wrong by so doing, the lender is an equal partaker in the crime. If a city, a State, or a nation, do a disreputable act by borrowing money, then every owner of one of their bonds is a criminal.

Commerce and industry derive a great impetus from the modern system of banks, by means of which small sums are aggregated, and then loaned to industrious and skillful persons in need of additional capital. Banks are thus the tools for collecting little rills of capital and uniting them into broad streams which turn the wheels of trade. What would become of our savings banks and our banks of deposit if no one would borrow their money? How would the orphan and the widow be supported if no one would hire the money which a provident father and husband had accumulated for them? The only way in which a person can live in a civilized country and not either directly or indirectly sustain the relation of debtor or creditor, is to become a criminal or a pauper and be supported by others. The cry "every man out of debt," if not a delusion and an attempt to divert attention from a wrong, would mean a return to barbarism.

THE TRUE DOCTRINE.

Equal and exact justice to all men is the correct doctrine. Both borrower and lender should have equal legal protection as both relations are equally meritorious. Any means whereby debtors or tax-payers are made to pay more than they agreed to are therefore just as wrongful as measures which defraud creditors.

NOTHING IS MORE DETESTABLE THAN HYPOCRISY.

A curious trait of human nature almost invariably leads those who wrong others to add abuse and defamation to the wrong committed. This is apparently done to afford a pretext and justification for the aggressor's evil acts. The English people recently added one to the thousands of previously existing illustrations of this ignoble characteristic of

mankind. They sent their army into Africa on an errand of robbery and murder, and, not content with this, the English press styled the men who were fighting against pirates for the protection of their homes and country, "barbarous rebels" and "ignorant fanatics."

Mr. Rogers, in his scholarly "History of Work and Wages in England," accurately describes this form of hypocrisy in saying: "The charge of setting class against class has always been made by those who wish to disguise their own indefensible advantages by calumniating the efforts of those who discover abuses and strive to rectify them. Liberty and property, the two conditions of social order, have been invoked as names by those who know nothing of any liberty but their own privilege to do wrong, and no property but that which custom has allowed them to appropriate."

THE CRY FOR HONESTY.

Those who have, for the past twenty years, been at work altering bonds justly payable in greenbacks into bonds payable in coin, and changing contracts by demonetizing silver, thus legally robbing debtors and tax-payers, have kept up a doleful howl about the "dishonesty" of the men they were intent on robbing. A desire for a currency whose value is as stable as is possible to create, and a willingness to do just as agreed and no more, have been denounced as "repudiation, inflation" and a "destruction of national credit." Meanwhile the "honesty" of measures which increased the burdens of debtors and tax-payers beyond the original contract has been loudly proclaimed. This din of sophistry and falsehood has confused the minds of many persons.

Let us endeavor to make this matter clear by an illustration which is a faithful picture of the aforesaid conduct. Suppose a man should lease a farm for fifty years at a yearly rental of two hundred bushels of wheat or four hundred bushels of corn, the kind of grain to be at the option of the tenant. For a long time wheat is not worth twice as much as corn, and the rent is paid in

wheat. Finally, in consequence of a great demand for wheat, its price rises so high that four hundred bushels of corn are worth less than two hundred bushels of wheat. The tenant comes to pay his rent and brings with him four hundred bushels of corn. Now, suppose the landlord, instead of doing as he agreed, should cry out: "What a scoundrel you are! This corn is dishonest corn. Corn has begun to fluctuate in value. Let us be honest. Let us strike corn out of the contract, so that the rent shall hereafter be paid in wheat."

The farmer naturally objects to this proposition, and then the landlord induces Congress to pass a law, the practical effect of which is to prevent the tenant from paying his rent in anything but wheat, although events have made it probable that wheat will continue to be much higher than it was when the farm was first hired.

There is only one thing lacking in this hypothetical case to make it a perfect parallel to the conduct of those who have procured legislation whereby contracts payable either in gold or silver, at the debtor's option, were, practically, made payable only in gold. That lacking thing would be for the landlord to first succeed in having laws passed which would increase the demand for wheat and thus raise its value, and then get other laws passed which would prevent the debtor from paying his rent in corn.

The cry for the stoppage of silver coinage comes from those creditors who want to strike the silver corn out of the contract and compel the debtors and tax-payers to pay the golden wheat. They want legislation which will save them from the necessity of doing as they have agreed.

If the creditors have a right to go to Congress and ask protection against the silver dollar because recent events have lowered its relative value, is it not certain that the debtors and tax-payers have an equal right to protection against the gold dollar which has been raised in value? Every one will admit that it would be wrong to *directly* increase the value of a gold dollar by increasing its weight. Therefore, is it not equally wrong to raise the weight of a

gold dollar *indirectly* by striking silver from its ancient place as a legal tender, thereby changing the conditions under which gold is placed, and largely increasing its value?

GROUNDLESS CHARGES AGAINST SILVER.

In 1871 Germany began the war against silver on the plea of wishing to create for the Empire "a single standard which should have a fixed and unvarying value." The nations who followed the course of Germany did so on the assumption that a currency of gold protected them from the "fluctuations in value" to which silver had become subject since Germany struck it from her statute books as a legal tender. Those who advocate the policy of the United States demonetizing silver rest their case almost entirely upon the alleged fluctuations in the value of silver and the stability of the value of gold.

The fact that a million dollars' worth of silver is about sixteen times as heavy as a million dollars' worth of gold is virtually conceded to be of little importance, for two reasons: First. Although silver is much the heaviest, it costs but little more to transport it from place to place than it does to carry the same value in gold. The increased weight is counterbalanced by the diminished danger of theft. A thief could readily seize five thousand dollars' worth of gold coins and escape with them; but five thousand silver dollars would encumber him enough to make his capture easy.

Second. The bulk and weight of silver is readily obviated by depositing it in the Treasury vaults and issuing paper certificates therefor. These do not weigh any more and are just as convenient to use as certificates payable in gold. A paper certificate for the payment of twenty silver dollars is far more convenient than a twenty-dollar gold coin, and is far more secure against the devices of counterfeiters.

WHY SILVER DOES NOT CIRCULATE.

A great outcry has been made by the enemies of silver that the silver dollar does not circulate because of its in-

convenient size and weight. This is a dishonest quibble. The plain fact is that the gold dollar does not circulate any more freely than the silver dollar. The people prefer paper money to either gold or silver. In England, with gold the sole legal tender, it is estimated that over ninety-nine per cent. of all payments are made without using gold.

The number of millions of silver dollars lying idle in the Treasury vaults has been cited a multitude of times. But candor requires that with this undoubted fact two other facts should be stated. First. That the Secretaries of the Treasury have steadily exerted their influence to hinder the payment from the Treasury of the silver dollar. Second. That while the amount of silver dollars lying idle in the Treasury has been large, the amount of idle gold has been still larger. Every argument against silver on the score of convenience applies to gold, although not to so great an extent. But the use of gold coins to any considerable extent as money is inconvenient and entails great hazard, both from accidental loss and from theft.

SUPERIORITY OF PAPER MONEY.

The world has largely outgrown the actual handling of gold in ordinary commercial transactions. Whether the sum transferred from hand to hand be one dollar or a million dollars, both silver and gold are inferior in convenience to paper money.

Prior to the discovery of America, the invention of printing, and before the beginning of what Mr. Lecky calls the "industrial age," the bulk of commerce was carried on by barter, and by a metallic currency. But as soon as trade felt the quickening force of new ideas and inventions, it not only became difficult to transact business with such cumbrous mechanism, but this difficulty was enormously enlarged by the increased ability which dishonest men possessed to debase and counterfeit the currency. In 1609, the evils of counterfeit, worn and defaced coins, and the labor, expense and danger attendant upon counting and transferring genuine coins became so great that the Bank of

Amsterdam was established in what was then one of the chief commercial cities of the world. This was a bank of deposit; it received all kinds of coins, ascertained their value, and issued paper certificates therefor. Bank-notes had not come into use, and the title to the coin was transferred upon the books of the bank. Purchases and sales were made by a transfer of credits. The avowed object of the bank was to avoid the nuisance of debased and spurious coins.

An immense business was done by this bank. The amount of treasure in its vaults was variously estimated at from twenty-five to four hundred millions of dollars; but as public scrutiny of its affairs was not allowed, no one knew how much coin it really held. The commercial world, however, had perfect confidence in the bank until 1790, when it was discovered that a large amount of its treasures had been loaned fifty years before; and that the balance had been steadily diminishing since then, so that only a small portion remained. The bank then failed.

For the long time during which the credits and the paper of the bank had little coin " back of them," they transacted an immense business; hundreds of millions were bought and sold just as well and effectually as if the coin had been lying in the bank vaults. Had the facts not become known, the bank might have continued doing business in that way for all time. The explanation of this is simple when viewed from a correct standpoint. The credits and the paper of the bank were not used, or issued, in excess of the wants of trade; they were limited in amount; they performed the same functions as coin, and were surrounded by similar conditions.

Besides its superior convenience, paper money, especially Government paper money, has another great advantage over gold coins, viz., it is far more difficult to counterfeit. This is because the machinery necessary to perform the elaborate and delicate engraving on paper money is very expensive and ponderous, and can neither be made nor operated without considerable publicity. A single bank can easily emit notes which its officials will readily distinguish

from spurious imitations, but the expense of making bills so that the whole nation will be protected from counterfeits is so great that the tendency is for banks of issue to avoid it, except only so far as is thought necessary for the bank's self-interest. Many of us remember when a counterfeit detector was part of the furniture of every office, store and shop. Since our paper money has been made by the Government, the losses of the people from counterfeit currency have been trifling compared with what they were before the war. As protection of the people from knaves is one of the chief functions of Government, it follows that the making of paper money should be exclusively in its hands. And it also follows that after it has incurred the great expense of machinery which will bid defiance to counterfeiters, that whatever saving or gain of interest may result therefrom belongs to the Government, and not to any class.

As an argument against silver it is stated that silver has depreciated since 1872, and, worse than that, has now obtained "a fluctuating value." Curiously enough, none of the multitudes who accept these statements as true have made any serious attempt to explain such a startling phenomenon, but have passed it by as an unknowable freak of natural laws. But if these beliefs be true, what assurance have we, that the mysterious fluctuations which to-day exist in silver may not appear in gold to-morrow?

To a limited extent it is admitted that gold may slowly undergo changes which in course of time may make a material difference in its value. Thus, Jevons, a standard authority in favor of gold, tells us that between 1789 and 1809 gold fell forty-six per cent. in value, and from 1809 to 1849 gold rose one hundred and forty-five per cent. The last named change made a loan borrowed in 1809 and repaid in 1849 cost the debtor, besides the interest, nearly two and a half times the value of the original sum.

Thus we see that, by one of their own authorities and partisans, it is conceded that within the period of forty years the metal which is constantly spoken of as having a fixed value remained nominally at par, but actually rose in

value in the ratio of 100 to 245. Furthermore, Jevons tells us that in a few years after 1849 gold fell 20 per cent. in value, and that it fluctuates from 10 to 25 per cent. in value during every panic.

The foregoing sketch of the various reasons advanced for demonetizing silver brings us down to the ultimate point, the decision of which must conclude the controversy either in favor of gold alone or in favor of both gold and silver.

THE ESSENTIAL ALLEGATION IN FAVOR OF GOLD.

Omitting, as unworthy of debate, the superstition that gold constitutes the only real wealth and has a supernatural influence on sellers of goods, the claim in behalf of making it the sole legal tender is in reality narrowed down to this proposition: "Gold has a fixed value over which legislation has no influence. Gold is endowed with mysterious qualities which exempt it from the natural laws whose influence is constantly raising and lowering the value of all other things." In the language of David A. Wells, a prominent writer in favor of a gold currency, "the gold dollar is the dollar that is always at par."

There are a few persons in favor of gold as the only legal tender who concede that changes occur in the value of gold, computed through long periods, and in exceptional times. But even these individuals mostly fail to recognize that the natural laws which produce changes in value are constant and universal. Moreover, the aforesaid admitted changes in the value of gold are inconvenient facts which those in favor of "honesty and honest money" carefully conceal from public knowledge. On the contrary, it is virtually assumed by the majority of bankers, legislators and public writers, especially so by the religious press, that gold is exempt from the constant fluctuations in value which natural laws create in all other things. The demonetization of silver is demanded on the ground that it "fluctuates in value," while gold has an "unvarying value."

Shall we examine this dogma or blindly accept it as true?

HAS GOLD A FIXED VALUE?

We have now arrived at the most important question in the whole range of the problems of political economy under debate, to wit: Are the aforesaid allegations, on which those in favor of demonetizing silver rest their case, true? If they be, then it inevitably follows that silver should be discarded, and there is no propriety in using it even for small change. But if these fundamental propositions be false, then the whole system which rests upon an assumption of their truth must be false also.

Strange as it may seem, to this central point the vast majority, both of the public and of writers, have paid no attention whatever. But the financial policy of nations, the relative value of a vast amount of property, and the welfare of many millions of people are all materially affected, either for good or for evil, by its decision.

Let us now dissect the aforesaid assumptions and try to discover what really are the fundamental facts and principles which underlie this whole subject. We can then reason from facts and build upon a good foundation.

THE BULLION REPORT.

In examining any subject or thing, the proper course is to take advantage of the labors of predecessors. Therefore the first question before us is this: What method of investigation has been pursued by those who have concluded that gold has a fixed value; that silver, prior to 1872, had also a fixed value, but since that time has both depreciated and fluctuated?

For ten years immediately succeeding 1808, England was the theater of an extended debate in regard to her currency. In January, 1810, Parliament appointed a committee to inquire into the permanence of the value of gold and silver. This committee produced the famous Bullion Report which was published in August, 1810, and debated in Parliament for several years thereafter. From the date of the publication of this report to the present time, nothing has been

written which has been considered by the advocates of metallic currency so high and conclusive an authority as that document. It is therefore presumptively a condensed statement of the best arguments which can be made to show that gold and silver have an invariable value.

The essence of this report, and of the speeches in support of it, consists of this proposition:

> "A pound of coined gold is always worth a pound of gold bullion of the same fineness. A pound of coined silver is always worth a pound of silver bullion of the same fineness. Therefore gold and silver coins have an invariable and determinate value. But it is to the interest of England to adopt gold as the sole legal tender, except for small change."

The reader will note that the aforesaid argument is applied to both gold and silver. But, during the past ten years, those who insist on the "fixed value" of gold, while continuing to regard the Bullion Report as the essence of wisdom, have nevertheless dropped out the word "silver" as forming no part of it, thus ignoring the fact that every argument of the Report in favor of gold is also made in favor of silver. At present, the central point of all arguments for making gold the sole legal tender is this: "A pound of gold coins is of the same value as a pound of gold bullion of the same fineness; therefore gold has a fixed value."

England endorsed the Bullion Report as the height of financial science. She enacted that after 1816 gold, except for small change, should be the sole legal-tender metal.

Said Report and the action taken thereon have been continually cited as a sufficient argument and example to induce us to imitate the policy of England.

But when we apply the same common-sense principles to this matter that we do to all other things, we discover that the aforesaid profound argument in favor of the stability of the value of gold is a mere quibble. The same process of reasoning would prove that everything whatsoever has a fixed value.

FACTS WHICH OVERTHROW THE COMMON THEORY IN REGARD TO GOLD.

At the same time and place, one thing is always worth precisely as much as another thing exactly like it. At the same time and place, one gold dollar is worth another gold dollar, one silver dollar is worth another silver dollar, one cabbage is worth another cabbage of the same size and quality, and one pig is worth as much as another pig which is precisely like it. So long as our comparisons of value are restricted to comparing one thing with the value of a precisely similar thing, we shall never find any changes in the value of the things thus compared.

This must necessarily be so, for in such case we have, in fact, made no comparison or investigation whatever. We have virtually compared a thing with itself. It is as absurd as if a man on being sent to measure the length of a stick of timber should report that it was "as long as a stick of timber." As long as what stick of timber? "Why, it is just as long as itself."

ORIGIN OF A BELIEF IN THE FIXED VALUE OF GOLD.

The inquiry naturally arises: What has made it possible for large numbers of otherwise intelligent men to adopt such an absurd mode of comparing values as that aforesaid? With equal pertinency the same question could be asked in regard to nearly every department of human knowledge.

A physician or surgeon who should now treat patients precisely as they were treated by the most distinguished and able medical men of a hundred years ago would soon find himself in prison for malpractice and manslaughter. And we have every reason to suppose those gentlemen were just as conscientious as the practitioners of to-day.

We now wonder at the superstition of the few ignorant persons who believe in witchcraft. But it is only about two hundred years since a belief in witchcraft was almost universal among the most intelligent people. Within that time, the President of Harvard College and other persons

in similar high positions sanctioned the hanging of women and other persons accused of dealing with evil spirits.

Within the lifetime of living men, the possibility of a locomotive and a steam-boat was denied by all the so-called scientific men in the world.

Compared with the total length of human history, it is but yesterday since it was universally believed that the earth stood still and the sun moved round it. Assuming that this fundamental idea was correct, for thousands of years all the learned astronomers and "scientists" of the world were at work trying to explain the various phenomena of the heavens. But notwithstanding the fact that these learned gentlemen had the wisdom of "conservatism," and were not guilty of any "eccentricity" in conducting their investigations, their treatises were similar to much of what to-day is called "political economy." The "science" of astronomy was formerly obscure, pretentious, and continually contradicted by facts. In truth, it was not a science. No sooner was a new theory of the heavens constructed than some inharmonious fact would appear, and then the complex theory would have to be adjusted on another hypothesis. At length, the idea of inquiring into the truth of what had so long been assumed as true occurred to Copernicus.

Amazed at the wonderful results which flowed from starting with the idea that the earth revolved and the sun stood still, he spent the greater portion of his life in consideration, before publishing what was deemed such a "crazy theory." In 1543 Copernicus published the results of his prolonged studies. They were almost universally pronounced by the "scientists" of that day as the work of a visionary.

In 1616, Galileo, the pupil of Copernicus, was tried for the offense of teaching the heresy that the sun stood still, and if he had not recanted, would probably have been tied to a post and roasted as "an agitator." It was assumed that Galileo was wrong, simply because all the so-

called scientific authorities for ages had said that the earth stood still.

A short time ago, a colored preacher in Virginia, by the name of Jasper, created a sensation throughout the country by preaching sermons in which he asserted that "De sun do move." Mr. Jasper thought his statements proved by citing the undoubted facts that the sun does appear to move, and that all the wisdom of the world until lately said that the earth stood still and the sun moved.

In all departments of knowledge, it has been gradually demonstrated that a belief is not necessarily true simply because it has been deemed so for a long time by a great number of persons.

The world has slowly learned that Copernicus and Galileo were right; we now smile at the ignorance of Jasper, but we should remember that the Rev. Mr. Jasper uses the same form of reasoning and logic to show that the earth stands still that is commonly used to show that gold stands still. So long as we measure and compare the earth only with itself, it certainly does appear to stand still, and the sun to move through the heavens. The truth can only be reached by comparing the earth with other planets besides itself.

BY COMPARISON WITH THINGS OTHER THAN ITSELF IS THE ONLY WAY IN WHICH WE CAN ASCERTAIN AND STATE ANY OF THE QUALITIES OF ANY OBJECT OR THING.

When we wish to ascertain or state the color of an object, we do not compare its color with its own color. We compare it with the colors of the rainbow. When we wish to determine the weight of a ham, we do not put a similar ham in the other side of the scales. We learn its weight by comparing it with a pound weight. When we wish to determine the form of an object, we do not compare it with itself. We compare it with geometric lines and figures. When we wish to determine the value of a pig, we do not simply compare it with the value of another precisely sim-

ilar pig. We compare it with the value of a dollar, or something else.

Thus we say: This pig is worth five dollars; meaning thereby to state our opinion that the pig is worth five times as much as one dollar. Or, in like manner, we may compare the pig with some other animal or thing.

In fact, with the exception of gold and silver, it has long been a universally recognized principle that the only proper way to ascertain any of the qualities of anything whatsoever is to compare it, not with itself, but with some other object or thing.

But, singularly enough, the vast majority of mankind have failed to see the plain fact that those metals are governed by the same natural laws, and therefore should be submitted to the same methods we employ in testing the various qualities of all other things. Within the past fifteen years, this ancient custom has been modified. Silver is not now tested by comparing its value with that of itself. But the value of gold is still estimated by the old way of comparing gold with gold.

ALL IDEAS ARE RELATIVE.

Experience and reason have taught us that all ideas respecting the qualities of everything are *relative*. When we say that a certain thing is long or short, heavy or light, hard or soft, or that it has any other quality, the statement always involves a comparison of that thing with something else. Very solid butter is often called "as hard as a stone." When butter is quite soft, we do not say: "As soft as butter," but the expression is often used: "This butter is as soft as lard." Cheese is sometimes said to be "as soft and rich as butter," and, in a similar manner, we compare the qualities of one thing, not with the qualities of the same thing, but with those of some other thing. When a surgeon examines an arm supposed to be broken, he compares the injured arm with the sound one. When we wish to know whether a column of mercury is rising or falling we do not compare it with another similar column of mer-

cury. We compare it with the glass tube which contains it. If our thermometers had two tubes alongside of each other, and if the mercury in one tube were simply compared with the mercury in the other, we should then find mercury, like Mr. Wells' gold dollar, "always at par." For at all seasons, the apparent height of a column of mercury, tested as aforesaid, would be unchanged.

NEED OF COMPARING ONE THING WITH SOMETHING BESIDE ITSELF.

If we get in a boat floating on a tide-water stream, it is impossible to tell whether we are going out or coming in, or in fact, whether we are in motion or remaining in one spot, so long as our eyes are kept fixed upon the boat. The facts of the case must be learned by comparing the boat with something besides itself. We must look at the bottom of the stream, at the shore, or at some other object besides the one we are resting on and moving with. For a similar reason, it is often difficult to tell whether the boat you are on is in motion or the boat alongside of you. Persons in railroad cars at depots are often puzzled to know whether their train has started or not. They see a train alongside of them in apparent motion, and, unless they see the ground or buildings, the jarring of their own car is the only way of deciding whether they have started or are being passed by a train going in an opposite direction. This arises from not being certain that they are comparing their own train with a fixed object; with something besides itself.

No one can deny that as long as we measure the length, weight or size of a given thing *by a precisely similar thing*, it will always appear unchanged. For example, a man has an iron rod one hundred feet long, and he wishes to learn whether its length varies at 100° from its length at zero. If he measure it by a precisely similar rod, exposed to the same temperature, it will appear unchanged and unchangeable. But the moment he measures it by other things, he discovers a material change.

This demonstrates that measuring one thing by comparing it with something precisely like it is not, in reality, a measurement at all, because no new facts are learned by such a proceeding.

VALUE SHOULD BE TESTED AS ALL OTHER THINGS ARE.

No valid reason can be given showing that what is called "value" should not be scrutinized by the same methods of examination which experience has taught us are the only reliable means of ascertaining and testing other attributes. All other qualities of any given thing are learned by testing and comparing them with the qualities of some other thing. Hence we must conclude that the common mode of ascertaining the value of gold by simply comparing it with itself, is delusive.

We are told that gold is always at "par." We ask: Par with what? The answer must be: Par with gold; for it must always be at par when compared only with itself.

If an advocate of the idea that gold has a fixed value be asked to state the evidence that gold is always at par, he will tell you that it is proved by the fact that a piece of gold bullion one thousand times as large as one gold dollar is always worth one thousand gold dollars.

Under free coinage this must be so. It is also true that, with free coinage, a bar of silver bullion one thousand times as large as a silver dollar is always worth one thousand silver dollars. If we coined two-ounce dollars out of copper, without charge for coinage, we should find that under all circumstances two thousand ounces of copper bullion were always worth one thousand dollars, so long as we stated the value of the copper bullion in copper dollars.

The word "par" means of equal value. One thing at the same time and place is always on an equality of value with a precisely similar thing. Therefore one thing at the same time and place is always of the same value; *i. e.*, "always at par" with a similar thing. If we test the value of potatoes in this way, we shall find potatoes "always at par."

This would be so, because one bushel of potatoes would be worth exactly another bushel, at the same time and place.

The mint price of 25 8-10 grains of standard gold is one dollar, paid in gold; therefore a gold dollar is always the price of 25 8-10 grains of standard gold. Suppose the mint price of one hundred grains of copper were one dollar, paid in a copper dollar of one hundred grains. Then a copper dollar would always be the price of one hundred grains of copper, and the price of copper, *measured in these copper dollars*, would always be the same; just as the price of a gold dollar is always a gold dollar. In 1859 gold compared with gold was at par; compared with the silver dollar of 412½ grains it was about 95. Compared with itself, gold is now at par just as it was in 1859, but compared with the bullion value of the silver dollar, gold is now about 125. In 1859 silver compared with itself was at par; it now stands at the same point as it did in 1859, provided we still compare it with a silver dollar. No matter of what materials dollars are made, nor how many, nor how few in number, they will always be at "par" so long as compared only with themselves.

But, as we shall hereafter see, this fact affords no information whatever in regard to the actual value of those dollars; that is, their value tested as we do the value of all other things.

LOGICAL RESULTS OF COMPARING GOLD ONLY WITH GOLD.

Let us see to what absurd conclusions we are driven whenever we adopt the so-called "scientific" method of testing the value of gold, and follow it to its logical and inevitable conclusions. So long as we use no other test of value but to estimate the value of 23 22-100 grains of pure gold at one dollar, and the value of one dollar at 23 22-100 grains of pure gold, neither the amount of gold in the world, nor the greater or less demand for it for coinage, or any other purpose whatever, can have any effect on the

value of gold. It would always be worth itself, and therefore "always at par."

If mines were discovered which yielded a thousand million dollars' worth of gold bullion annually, gold would not fall below "par," simply because "par" means nothing more nor less than that 23 22–100 grains of pure gold is one dollar; and one dollar is 23 22–100 grains of pure gold.

If the value of gold be not changed by increased supply, then the discovery of a solid mountain of gold would not affect its value; if we measured gold bullion only with gold dollars it would surely remain at par. On the other hand, if all the silver in the world were destroyed, so that the demand for gold was three times as great as at present, gold would not rise in value,—it would remain at par. Even if all the silver and three-quarters of the gold were destroyed, still there would be no advance in the price of gold. Moreover, we might follow out this process until the amount of gold in the world was reduced to 23 22–100 grains. We should then find this solitary dollar still only at par, *because, measured only by itself*, it would have the same value under all circumstances; *i. e.*, it would be worth as much as itself, neither more nor less.

RESULT OF UNLIMITED COINAGE OF SILVER.

Suppose we place the coinage of silver on the same basis that the coinage of gold now is, and thus restore silver to the position it had up to 1873. We should then find silver dollars at par with silver bullion, and silver bullion at par with silver dollars.

This would be so for precisely the same reason that gold bullion is now at par with gold dollars. If a man own 23,220 grains of pure gold, and, without expense to himself, can have them coined into a thousand gold dollars, he knows that the bullion is equal in value to a thousand gold dollars; and he also knows that the dollars are worth as much as the bullion.

But is the foregoing fact any test of the real value of gold? We have simply divided a lump of bullion into one

thousand equal parts, and then found that one of those parts was worth one thousandth part of the whole lump. We can do the same thing with silver, or any other divisible substance or thing, and always arrive at the same result. We can divide a bushel of wheat into thirty-two quarts. We shall then find each quart worth just as much as another quart, and the thirty-two quarts put together again worth just as much as a bushel. But this process does not determine the value, either of a quart, or of a bushel of wheat. It is simply childish folly, but essentially the same process by which the " unvarying value of a gold dollar " is arrived at.

We do not need to be told that one quart of wheat at the same time and place is worth just as much as another quart of wheat of the same quality. When we desire to know the value of wheat, we want its *relative value* stated; *i. e.*, its value stated in some other commodity or thing besides wheat.

CORRECT MODE OF STATING THE VALUE OF GOLD AND SILVER.

The only rational way to test the value of gold and silver is to treat them just as we do everything else; *i. e.*, compare their value with the value of other things,—state their *relative value.*

When the value of gold is under consideration, the proper question is one which compares it, not with one, but with a number of other valuable things. What are the market prices, paid in gold, of wheat, cotton, wool, iron, hemp, corn, pork, beef, sugar, hardware, clothing and labor? In other words, what is the *relative value* of gold compared with the value of the various articles of commerce? Comparison with two or three of those articles might be misleading, because they might be exceptionally plenty or scarce. But a comparison of the value of gold bullion with the value of a large number of other valuable things tells us at once whether gold bullion has risen or fallen in value, and, if so, to what extent. In like manner, a comparison of the

value of silver bullion with the value of a large number of other valuable things tells us, with unfailing certainty, whether silver bullion has risen or fallen in value, and, if so, to what extent. By this means, the relative value of gold or silver can be determined. When that is done, we have in hand a key which will unlock the problems which bewilder those who follow round and round the narrow track made by comparing one thing with a precisely similar thing.

This true method of testing value is called "a general pricing of commodities."

WHAT A PRICE IS.

When we put a "price" upon a thing, we thereby state our opinion of *its relative value compared with the thing in which we state the price.* In other words, two things are compared with each other and the "price" is expressed as the result of the comparison. For example, in a community where eggs are used as money, a farmer takes a basket of eggs to the village and inquires the price per pound of a certain kind of sugar. He is told, "Half a dozen eggs." This is equivalent to saying that the price of eggs is two pounds of sugar, per dozen. When the trade is completed, the farmer has bought sugar and the grocer has bought eggs. The value of each one of the traded commodities is stated by comparing it with the other. The process is the same as if the price of the sugar were stated at eight cents a pound, and the price of the eggs at sixteen cents a dozen.

When a grocer exchanges two dollars with a farmer for ten dozen eggs, we ordinarily say that the grocer has bought, and the farmer sold eggs. But in fact *the grocer has sold his money* just as truly as the farmer has sold his eggs. And the farmer has bought two dollars just as certainly as the grocer has bought ten dozen eggs. While we commonly speak of the "prices" of commodities, by so doing we also virtually speak of the "price of money."

This should be steadily remembered, as it is very important.

MONEY CHANGES IN PRICE LIKE OTHER THINGS.

Money is higher priced, when a less amount of it will buy a given amount of the necessaries of life. Money has fallen in value, when a greater amount of it is required to buy a given amount of a considerable number of the leading articles of commerce.

A farmer takes a hundred bushels of wheat to market and sells them for fifty dollars. He has then bought fifty dollars and paid a price of one hundred bushels of wheat for them. If he had received one hundred dollars for his wheat, the "price" of each one of those dollars would have been just one half what it was. In the aforesaid case, the question arises: Did the dollars bring a high price, or did the wheat bring a low price? So long as our field of observation is confined to the facts of this one case we are unable to decide those questions. The only way to determine them is to test and compare the value of both wheat and dollars by comparing each and both of them with a number of other things. If the price of a considerable number of commodities, on the average, be relatively much higher than wheat at half a dollar a bushel, we know that special circumstances have lowered the value of wheat. But if we find that the prices of all other things, on an average, have sunk to the relative level of wheat, then we know that half a dollar a bushel for wheat means a rise in the value of dollars.

HOW TO TEST THE PRICE OF MONEY.

The average scale of the prices of a considerable number of leading commodities denotes the price of money. A universal rise in the prices of all kinds of goods denotes a fall in the value of the dollars in which those prices are stated. Dollars are cheaper than previously. The evidence of this is the fact that they can be bought with a smaller amount of other valuable property or labor.

A general lowering of the scale of the prices of commodities and labor denotes a rise in the value of the dollars in

which those prices are stated. Dollars are dearer than they were. The evidence of this is the fact that a larger amount of other property is required to buy a given number of dollars than before the change occurred.

THE PRICE OF GOLD.

Let us apply the foregoing facts and principles to determining whether a gold dollar has a fixed value, or not. If it have an unvarying value, then it has an unvarying price, because a price is simply a short and handy way of stating our ideas of value. If gold dollars have an unvarying price, then they can always be bought with the same amount of other property.

The fact however is, that on the average, whoever goes in the market to buy gold dollars in 1886 finds that their price is over twenty-five per cent. higher than in 1870. In other words, over twenty-five per cent. more of labor and of the various products of labor, on the average, must be given in 1886 than in 1870 to buy a given number of gold dollars. The price of gold has risen. Instead of a fixed value it has an unstable value.

Every man who works for wages, paid in gold or its equivalent, buys gold and pays for it with labor.

Every man who produces any one of the various forms of wealth and sells it for a price paid in gold is a buyer of gold and pays for it, either directly or indirectly, with labor.

Every man who is obliged to sell his house or his farm for gold, is a compulsory buyer of gold, and receives a smaller amount of it in exchange for his property than he would if gold had not risen in price.

The owners of gold, and the owners of bonds, mortgages and other securities which are made payable in gold by making it, in effect, the sole legal tender, have a far greater ability to control, or purchase all the other property in the country, in consequence of this rise in the price of gold. Such a rise also gives them an advantage over laborers for wages, because the laborer must sell his work at a low price for gold at a high price. This increases the amount of tribute

which labor is compelled to pay to capital. Suppose a man hold a hundred thousand dollars' worth of bonds or mortgages at an interest of six thousand dollars per year. Labor is then two dollars per day. A year's interest will then buy three thousand days' labor.

If the price of gold rise so that wages fall to one dollar per day, the aforesaid capitalist would be able to buy six thousand days' labor with a year's interest. If the rate of interest fall to four per cent., he will still be able to buy a thousand days' labor more than he formerly could with his income.

The rate of interest paid during recent years on Government bonds and called loans does not correctly indicate the rate of interest actually paid by the great mass of debtors. The great bulk of existing indebtedness throughout the nation consists of personal notes and mortgages on real estate. On many of these instruments, the rate of interest is the same as it was in 1873. In cases where a reduction in rate has been made, this reduction has not equaled the fall in the prices of labor and its products.

CORRECT TEST OF THE RATE OF INTEREST.

The real test whether interest is high or low is: How much labor does the man who borrows money have to expend in order to pay the interest? The four per cent. United States bonds are a heavier burden on the American tax-payer now than the six per cent. bonds were fifteen years ago, because wages have been reduced and our exports sell for much lower prices in gold than they did then. The interest on loans in this State has been reduced from seven to six per cent., but in reality interest is higher instead of lower. *It remains at this high rate because so much debt already exists.* Were it not for the vast mass of debts from which debtors cannot immediately escape, interest would at once fall to more nearly its actual value, and the property of the country would cease its present rapid transfer from the debtor to the creditor class.

The debtors have been surprised by legislation in the interest of the creditors.

One important fact in this connection is generally overlooked by those who have written about the present situation of affairs. Those who pay interest can only do so permanently from their savings. A reduction of wages and prices often reduces the amount possible for a debtor to save far more than the fall of prices. Thus, if a farmer's products be reduced twenty-five per cent. in price, such a reduction may reduce his profits and savings fifty per cent.

PUBLIC DEBTS AND TAXES.

Every self-supporting person pays taxes, either directly or indirectly, on everything he uses or consumes. Men who pay large tax bills do not, as a general rule, pay them from their own property. except upon and for such portion as they personally use or consume. For the residue, they are merely sub-collectors of taxes from their tenants, debtors and employees.

We are burdened with large national, State, county and city debts. The interest and principal of these debts are paid by the tax-payers. The rise which has occurred in the value of gold has added to the burden of this debt because it takes more labor to pay it than when it was contracted, and this has caused increased taxation upon every consumer. These additional taxes have been levied upon laborers in form of a reduction of wages; the laborer's taxes are thus collected every time a week's or a month's wages are paid him. Our railroad corporations owe enormous debts. The interest and principal of these debts are paid from freight and fare. As railroad charges are, in effect, a tax upon everything transported by those roads, every self-supporting person thus indirectly pays a tax upon whatever he uses which is carried by rail.

AN EXAMPLE OF BENEVOLENCE.

The aforesaid facts explain the yearly occurrence in this country of a remarkable example of unselfishness and piety.

A considerable number of persons travel in the aggregate thousands of miles, at their own expense, and organize into what is called a "Bankers' Convention." The persons composing these conventions largely represent the capitalists and money-lenders of the nation. They never exhibit the slightest desire to promote the selfish interests of their own class. But, on the contrary, they always express a great solicitude that "the laboring man" should be well taken care of. To this end they invariably point out the injustice of paying wages in anything but gold, or its equivalent in value!

THE TRUE EXPLANATION.

By referring to the fundamental laws, heretofore stated, which govern the creation of value, we find a complete explanation of the recent rise in the value of gold. We have heretofore found that all values are the result of certain conditions and circumstances, and that therefore the value of a thing must necessarily change whenever a change occurs in the conditions and circumstances which created that value.

WHAT HAS CHANGED THE VALUE OF GOLD.

Since 1872, four important changes have taken place in the conditions under which gold is placed. First. An increased demand for gold to fill the place previously occupied by paper money and by silver coins, in several nations.

Second. An increased demand for gold, caused by a material falling off in the yearly production of gold mines.

Third. An increased demand for gold, caused by a large increase in the amount of gold consumed in the arts. It has been generally proclaimed, as a sound principle of political economy, that a rise in the value of a precious metal diminishes its use in the arts. But, during the past ten years, this doctrine has been shown false by the fact that, right in the face of a steady rise in the price of gold, the demands of art for gold have been greater both in variety and

amount than ever before. Two facts have produced this result: 1st. The increased application of scientific principles and new inventions to arts and processes in which gold is employed; 2d. The steady increase in the wealth of those who desire to display their riches by adorning their persons and houses with works of art of which gold forms a component part.

Fourth. The fact that during the past twelve years large amounts of gold have been hoarded by nations, banks and individuals. The large amount hoarded in the United States since 1875 has been largely drawn from Europe. By diminishing the amount of gold in Europe, this process has raised its price on that continent. Consequently, the gold we have bought in England and other European nations has cost us a much higher price than it would if the United States had not adopted a policy which inevitably increased the demand for gold.

AMERICA BEARING DOWN THE PRICES OF AMERICAN GOODS.

The result of this policy has been low prices for our cotton, wheat, cheese and other products, and high prices for gold. The American nation has thus been acting the part of a bear on the prices of the commodities which American citizens sent abroad for sale. Every dollar of debt held by foreigners against us, which has been canceled since 1873, has cost the people of this country a much larger amount of goods than it would if we had not adopted the policy of raising the price of foreigners' gold, and thus enhancing the value of the securities paid them in gold.

EFFECT OF LOWERING PRICES IN ENGLAND.

Taking gold from England depressed wages and the prices of manufactured goods in that country. This enabled English shippers to lower the prices of the goods exported to this country. In order to compete in price with the imported goods, American manufacturers have been obliged to lower the prices of their wares. This has neces-

sitated a reduction of the wages of factory operatives. Lower wages have diminished the ability of the operatives to purchase the amount and variety of things formerly used by themselves and families. This has resulted in first lessening the amount of retail, and next in reducing the amount of wholesale trade. A diminished sale for stocks of goods on hand has lessened the ability of merchants to pay their debts. This is frequently followed by bankruptcy and loss to those who have trusted the merchants. Thus the circle has spread from class to class, and person to person, until what are called "hard times" generally prevail.

THE DELUSION THAT GOLD PRICES WOULD NOT FALL.

When Germany demonetized silver, the belief in the "fixed value" of gold was so general that the great majority supposed prices stated in gold alone would be the same as when stated in both gold and silver. This certainly would have been so, if gold had possessed the "fixed value" that was ascribed to it. But, in fact, prices began to fall as soon as silver was disused, and this fall in prices extended from one thing to another, and finally extended from nation to nation.

Meantime it has been declared that "gold has remained at par." How has it come to pass that so many people have been deceived by this trick of the "par value of gold"?

In a nation with gold as the sole legal tender, a price is fixed by law on one commodity, and all other things have no price but the market price. Thus, in this country, the law fixes the price of gold bullion at one dollar for 23 22-100 grains of pure gold, and this price is subject to no change whatever. This proceeding causes the term "gold dollar" to mean a "*fixed thing*." But it by no means confers a fixed *value* on the thing designated as a dollar. It merely obscures the real value of gold, and causes it to appear stationary while all other prices are in motion. It causes people to make the same mistake that was made when the earth was supposed to stand still and the sun to move around it.

EFFECT OF MAKING A METAL LEGAL TENDER.

The attachment of a legal-tender price on a metal places it under conditions which render it difficult to determine how much of its value is dependent on the legal-tender law, and how much on other facts. We know that a portion of its value is derived from the legal-tender law, *because that is one of several other conditions which create all its value.* But what proportion of its total value is due to the conditions created by the legal-tender quality being affixed to it, can only be known by actual test.

We know with absolute certainty that if several of the leading nations of the world were to demonetize gold, that the demand for that metal would be largely diminished and its value proportionally reduced. But exactly how great a reduction of the value of gold would thereby be occasioned, no one can predict with certainty.

As heretofore seen, the practical operation of a legal-tender law is to mislead ordinary observers into supposing that the value of the legal-tender metal would be the same if no law existed; that the law merely records a fact produced by other causes. But such a law also has a tendency to lead persons to suppose that the repeal of laws under which silver is a fellow legal tender could have but little effect in raising the price of gold.

Even so intelligent an observer as Prof. Jevons seems to have greatly underestimated the effect of legal-tender laws on the value of gold.

In 1875 Prof. Jevons, in writing about the demonetization of silver, said:

"Mr. Wolowski has earnestly warned Europe against the danger of abrogating the law of the double standard, and demonetizing silver. Germany, in adopting a gold standard, is causing a considerable demand for gold, and at the same time throwing many millions of silver coins upon the market. Austria, Denmark, Sweden and Norway are likely to follow her example. If other countries were to insist upon suddenly having a gold money, it is evident that gold would tend to rise in value compared with silver, which might be largely depreciated. If France, Italy, Belgium and other countries now possessing theoretically the

double standard, were to allow the free action of their monetary laws, the depreciated silver would flow in and replace the appreciated gold, so that the change of values would be moderated. Mr. Wolowski asserts that if this compensatory action be suspended, and the demonetization of silver be extended, there must ensue a disastrous rise in the value of gold, thus rendered the sole standard of value. All debts, private and public, will be legally due in this metal, and all burdens will be greatly increased.

"Within the last year or two the predictions of M. Wolowski may seem to have been verified in some degree. The price of standard silver, which was at one time 62½ d. per ounce, has already fallen as low as 57 3-4 d., while the demonetization of silver in Germany is only partially accomplished. The whole effect of the great discoveries of gold was only to raise the price from about 59 3-4 d. to a maximum of 62½ d., while the double standard system freely worked; but since its action has been suspended, as we shall see, the minting operations of a single government can affect the price in a greater degree.

"As regards the gold required to replace silver, it does not seem to be evident that there will be any scarcity. The adoption of the gold standard does not necessarily involve the coining of much gold, for some countries may, like Norway, or Italy, or Scotland, have a principal currency almost entirely composed of paper. The current supply of gold from the mines is still very large, and we cannot be sure that it will not be increased by fresh discoveries.

"In short, then, the amount of supply and amount of demand of both the precious metals depend upon a number of accidents, changes, or legislative decisions, which cannot, in any way, be predicted. The price of silver has fallen in consequence of the German currency reforms, but it is by no means certain that it will fall further than it has already done. That any great rise will really happen in the purchasing power of gold is wholly a matter of speculation. We cannot do more than make random guesses on the subject, and, as a mere guess, I should say that it is not likely to rise. Gold has, since 1851, been falling in value, and an increased demand for gold is not likely to do more than slacken, or at the most arrest the progress of depreciation."

Events have shown that Prof. Jevons did not appreciate the tremendous effects of legislation on values. He thought the relative fall in the price of silver to 57 3-4 pence per ounce was the probable final measure of the rise of gold occasioned by the partial demonetization of silver. But at present (September, 1885) silver is quoted at 47 pence per

ounce in London.* If the lamented professor could now write on the same subject, he would probably say that the predictions of M. Wolowski were rapidly being verified.

We have recently made an experiment in this country which practically shows the effect produced by affixing a legal-tender quality to a coin, and then removing that quality. In 1873, Congress authorized the coinage of 420 grains of standard silver into a "trade dollar." Although the legal-tender quality of this dollar up to 1876 was restricted to only five dollars, and sums under that amount, yet so great was the demand for them caused by the demonetization of the dollar of 412½ grains and an unlimited legal tender, that over fifteen millions of those dollars were coined in the years 1874, 1875, and 1876. On July 22, 1876, Congress repudiated money of its own creation by enacting that the trade dollar should no longer have any legal-tender quality whatever. On February 28, 1878, Congress partially restored the silver dollar of 412½ grains to its original position.

Thus two United States silver dollars now are, and for several years have been, in existence. One, a legal tender of 412½ grains, circulates as one dollar. The other, a coin bearing the United States certificate that it weighs 420 grains, but not a legal tender, is sold for eighty cents when a buyer can be found at that price.

As an illustration of the absurd conclusions to which false economic theories may lead a person, it may be stated that our present Secretary of State recently argued that it would be "dishonest" for the United States Government to itself receive a coin bearing its superscription, at the same price it was issued from the United States mints!

HAS SILVER DEPRECIATED IN VALUE?

Having examined the truth of the common belief that gold has a fixed value, let us now investigate the al-

* While this work is under revision, August, 1886, silver is quoted at 42½ d. per ounce.

leged recent depreciation and fluctuation in the value of silver.

The following table, giving the price per ounce of silver bullion for the ten years preceding the demonetization of the silver dollar, has been furnished by the Director of the United States Mint:

Year.	Price per ounce in London.	Price per ounce in United States gold coin.	Value of Silver bullion in the silver dollar of 412½ grains in United States gold coin.
	Pence.	Cents.	
1863	61 3-8	121.09	104.06 cents.
1864	61 3-8	121.09	104.06 "
1865	61 1-16	120.47	103.52 "
1866	61 1-8	120.59	103.63 "
1867	60 9-16	119.48	102.67 "
1868	60 1-2	119.36	102.57 "
1869	60 7-16	119.24	102.47 "
1870	60 9-16	119.48	102.67 "
1871	60 1-2	119.36	102.57 "
1872	60 5-16	118.99	102.25 "
1873	59 1-4	116.90	100.46 "

It will be seen from this table that the bullion in a silver dollar is of the same value as the bullion in a gold dollar when silver bullion is worth in London about 59 pence per ounce. Thus it appears that the demonetization of silver was begun when the bullion value of the silver dollar was greater than the bullion value of a gold dollar. Since 1873, the relation of silver and gold has steadily changed. At present (September, 1885), an ounce of silver bullion can be bought in London for 47 pence stated in the value of gold bullion. This shows that the value of silver bullion, compared with the value of gold bullion, has depreciated about twenty per cent. since 1873.

If we assume that gold has an invariable value, as is usually done, we at once arrive at the conclusion that silver is about twenty per cent. less valuable now than in 1873. But, we have heretofore found that gold has not a fixed value. Moreover, we have found that gold, since 1870, has advanced about twenty-five per cent. in value. Therefore, if

we wish to learn the relative value of silver to-day, compared with its value in 1870, we must subject it to some other test than merely comparing it with gold.

HOW TO TEST THE VALUE OF SILVER.

The value of silver depends on precisely the same natural laws which give value to wheat, cotton, wool, gold, iron, steel, copper, lead and all other things which we term "valuable." Therefore it follows that the value of silver bullion can only be correctly determined by testing its value in precisely the same way we do the value of other things. We have heretofore found that the only proper way to ascertain the value of a thing is by comparison with something besides itself. Furthermore, we have found that this comparison is inadequate and worthless if made with *only one other thing*, because special events may have either raised or lowered the value of that one thing. We have also found that a correct comparison of value could be made by comparing the value *of the one thing under examination* with the value of all other things, or a very considerable number of other things.

Small portions of the ocean rise and fall in form of waves and tides. But the general level of the ocean, the great mass of water, is undisturbed by the influences which are constantly raising and lowering small portions of it. In like manner, sudden and great changes may occur in the value of a small portion of the valuable things in the world. But the great mass of values, like the body of the ocean, it is impossible to rapidly and materially elevate or depress. When we fancy that such a change has been suddenly made in all the valuable things in the world, it is only because we have used a false and delusive standard and mode of measurement.

Like all other material things which are bought and sold, silver possesses peculiar intrinsic qualities over which legislation and other conditions have no effect whatsoever. But value is neither an inherent intrinsic quality of silver nor of anything else. Value is an appraisal of the import-

ance of owning or using one thing, relative to the importance of owning or using the object of comparison, at a certain time and place and under certain circumstances. A statement of such an appraisal, such a comparison, is a statement of value.

Let us apply these indisputable principles to the question before us and test the value of silver bullion to-day, compared with its past value, just as we would test the value of iron, copper, lead, or anything else.

How much of other property, on the average, can be bought with a thousand ounces of silver bullion now, as compared with what could have been bought when the bullion in a silver dollar was worth as much as the bullion in a gold dollar? In 1873 a thousand ounces of silver were worth, in London, 59,250 pence stated in gold coin. A thousand ounces of silver are now worth, in London, 47,000 pence stated in gold. Will 47,000 pence now buy as much property on the average in London as 59,250 pence would buy in 1873? The market quotations of London answer this question in the affirmative.

In 1873 a thousand ounces of silver bullion were worth, in New York, $1169 in United States gold coin. To-day, a thousand ounces of silver bullion can be bought in New York for about $9352. Will $9352 now buy as much property of all kinds on the average as $1169 would in 1873? The market quotations of New York answer: Yes, and more too.

The New York *Sun* of September 25, 1885, contained the following editorial regarding the last annual statement of wholesale prices made by the London *Economist.*

"The *Economist* starts with the prices of leading articles of commerce in the London market for the six years preceding 1850, the year when the new supplies of gold began to produce their effect. Calling the average price for this period of each article 100, it denotes the relative price of that article at the beginning of each subsequent year by a number which bears a corresponding relation to 100. Thus, if coffee sold at an average of 10 pence per pound from 1845 to 1850, and at 17.3 pence January 1, 1875, its number would be 100 for the first period and 173 at the later date. The result of this method of computation is as follows:

ARTICLES.	1845–50	1875	1880	1881	1882	1883	1884	1885
Coffee	100	173	151	122	100	82	106	93
Sugar	100	68	70	60	67	60	54	37
Tea	100	100	141	100	89	76	92	78
Tobacco	100	256	180	161	222	240	200	228
Wheat	100	80	88	82	84	77	73	60
Butchers' meat	100	137	119	146	125	145	123	122
Cotton	100	111	110	105	102	89	92	93
Raw silk	100	115	135	130	139	126	117	89
Flax and hemp	100	95	78	71	75	68	76	78
Wool	100	145	117	120	108	106	98	92
Tallow	100	108	102	89	103	111	113	87
Leather	100	153	144	144	139	139	139	144
Copper	100	105	81	75	86	80	71	60
Iron	100	138	92	79	86	78	69	75
Lead	100	137	112	87	88	83	70	65
Tin	100	118	109	110	134	114	104	90
Cotton cloth	100	116	95	101	99	92	88	80
Totals	1,700	2,155	1,924	1,782	1,846	1,766	1,685	1,571

"These figures show that, with the exception of tobacco, butchers' meat, and leather, every article mentioned in the table was lower at the beginning of the present year than it was at the beginning of 1880, and that all, without exception, are very much lower than they were at the beginning of 1875. As to the astounding assertion that average prices are no lower now than before 1850, it is seen to be utterly untrue. Only tobacco, butchers' meat, and leather have numbers above 100, while of the rest, coffee and cotton have 93, and sugar is down to 37. The totals of the numbers of the seventeen articles mentioned is only 1571, whereas in 1845–50 it was 1700. That is to say, the average price of these seventeen articles at the beginning of this year was lower than it was in 1845–50 by the difference between 1700 and 1571. Or, to put it in another way, $1571 now will buy as much of the seventeen articles enumerated as $1700 would in 1845–50. The fall from 1875 to 1880 was from $2155 to $1924, and since then each year has seen a further decline. During the present year some articles—sugar, for example—have advanced, but wheat, cotton, and other great staples have gone on falling, and are to-day lower than they have been for forty years.

"The fall in the price of silver has kept pace with that of other products. Prior to 1875 silver ruled steadily at about 60 pence sterling per ounce. To-day it is quoted at about 47 pence. According to the notation adopted by the *Economist* this is a fall from 100 to 79, which is no greater than the fall in tea, flax, copper and cotton cloth, and far less than that in sugar, wheat, copper, iron, and lead. Silver, therefore, as mere bullion, is still an equitable standard of value, notwithstanding

its depreciation as compared with gold, since its purchasing power remains about as great as it ever was.

"Measured by its power to purchase the necessaries of life, the value of gold is shown by our table to have increased and to be still increasing. Whether this proceeds from the growing scarcity of gold, as some say, or from the greater abundance of all other commodities, as insisted by others, is immaterial. The fact remains that, relatively to other things, gold is getting dearer and dearer, since it commands more and more of other things in exchange. The result is that, under the gold standard, every man who owes money or who sells goods has to give more, while the man to whom money is owed or who buys goods gets more, by the difference between 100 and 79, than he would under the silver standard."

The following article is taken from the Chicago *Tribune* of August, 1885:

"The following table (see p. 249) shows the average prices of a number of leading articles in this market for twelve years past, on a currency basis, and those of the present time. These figures are not the highest and lowest reached during the period named, but the table gives a fairer view of the nominal range in values from one year to another than would an attempt to record the minor fluctuations of the several markets. The prices are wholesale and generally for the standard grade, as No. 2 in grain, and cargo prices for common lumber. The table is compiled from the yearly averages given in *The Tribune Annual Review* for each of the years named.

"The figures are very suggestive in regard to the purchasing power of the dollar during most of the time that has elapsed since the great fire in Chicago. They show that with the exception of wheat, corn, and live stock, prices are now at the lowest point, and in those articles the present selling values have been more in favor of the buyer only in exceptional seasons. The general average is 35 per cent. less in currency, and 28 per cent. less in gold than that of the year succeeding the panic of 1873, and 26 per cent. less than that of 1881. If we should take the top prices of that year for comparison, the difference would be much greater."

The facts, tabulated, show that debtors are being forced to pay debts in a manner not contemplated by the original contract; and that an attempt is steadily made to conceal this rascality by clamoring about the "dishonest silver dollar." But this dishonest dollar has remained more valuable than the gold dollar was before cunning and artifice raised its value as a sly mode of oppression and wrong.

	Now.	1884.	1883.	1882.	1881.	1880.	1879.	1878.	1877.	1876.	1875.	1874.	1873.
Spring wheat, bu....	$ .87½	$ .83	$1.01¾	1.14¾	$1.14½	$1.05½	$ .99	$ .96½	$1.20½	$1.03	$1.02½	$1.08¾	$1.17½
Corn, bu...........	.47	.51¼	.53½	.67½	.49¾	.37½	.35½	.37½	.44¾	.44½	.63¾	.65	.37
Oats, bu...........	.26½	.29⅛	.34½	.43¼	.37¾	.29¾	.27	.22½	.31½	.31½	.47	.46	.28¾
Rye, bu	.58½	.57¼	.59¼	.71	1.00	.77	.55	.50½	.66¼	.63¼	.88½	.86	.66
Barley, bu..........	.70	.62¾	.70	.72	.84½	.71½	.61	.58½	.66	.69½	1.26	1.34	.94½
Flaxseed	1.23½	1.50	1.35	1.26	1.27	1.32	1.30	1.26	1.45	1.34½	1.70	1.92	1.70
Muslin, bleached....	.09	.09½	.10¾	.11¾	.13¼	.12¾	.13¼	.10¾	.11¾	.12½	.13	.12	.17
Prints, yard........	.05¾	.06	.06½	.06½	.07	.07	.07½	.06	.06½	.07	.07½	.09	.11½
Butter, lb...........	.14	.20	.30	.33	.30	.28	.28	.20	.25	.26	.28	.28	.27½
Cheese, lb.	.06½	.09	.13	.11	.11	.12	.12	.07¾	.11½	.13½	.15½	.14	.12
Sugar, A...........	.06¼	.06¾	.08½	.09⅛	.09½	.09½	.09¾	.09⅛	.10	.11¾	.10⅜	.10⅜	.11¼
Coffee, Rio	.10½	.11	.11	.10	.15	.15½	.17½	.17	.21	.23½	.23	.24	.24½
Lard, lb............	.06⅜	.07⅞	.09⅝	.11½	.10⅞	.07½	.06¼	.06⅝	.09⅛	.11⅜	.13⅛	.11½	.08
Short ribs	.05½	.08¼	.08⅛	.11⅛	.08½	.06⅞	.04⅞	.05	.07½	.09¾	.10¼	.09½	.08
Pork, brl...........	9.37½	17.50	15.12½	19.37½	16.50	13.25	9.75	8.87½	13.62½	18.75	20.25	18.25	15.25
Coal, hard, ton......	5.87½	6.75	7.00	7.25	7.75	8.50	6.62½	6.25	6.62½	7.75	9.50	9.50	11.50
Pig-Iron, ton.......	20.00	21.00	24.50	28.00	30.00	35.00	30.00	21.50	21.50	26.00	40.00	42.00	55.00
Lumber, m.........	9.00	10.12½	11.87½	13.50	12.75	10.37½	9.37½	8.87½	9.12½	7.75	7.62½	9.50	8.12½
Hogs..............	.04⅝	.05½	.06	.07¼	.06	.05	.04¼	.03	.04½	.06½	.07	.06	.04½
Cattle..............	.05	.05¾	.05½	.06½	.05½	.04¾	.04½	.04	.05	.04½	.05¼	.05¼	.05½
Sheep	.03½	.03¾	.04¼	.05	.04¾	.05	.04½	.03½	.04	.03¾	.04¼	.04¾	.04½
Gold	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.01	1.05	1.11½	1.15	1.11¼	1.14

Table A.

Table showing the rise and fall in Prices of the principal Commodities in the New York Market, taking the period of three years 1870–1872 as a basis, and the average price of Silver each year. Compiled by E. O. Leech, Computer of Bullion.

Articles.	Average gold prices in New York.						
	For the three-year period 1870–1872.	For the year 1880.	For the year 1881.	For the year 1882.	For the year 1883.	For the year 1884.	For the year 1885.
Flour:							
Superfine.......barrel..	$5.046	$4.135	$4.439	$3.958	$3.410	$2.859	$3.205
Rye-flour.......barrel..	4.579	3.616	3.524	3.247	3.723	2.694	3.677
Corn-meal......barrel..	3.725	2.804	3.070	3.918	2.922	3.038	3.040
Wheat: North'n..bushel..	1.397	1.253	1.307	1.277	1.206	1.016	.970
Rye.............bushel..	.867	.934	1.024	.833	.730	.691	.709
Oats.............bushel..	.495	.438	.484	.575	.503	.368	.361
Corn............bushel..	.712	.547	.625	.796	.644	.616	.528
Coal: Anthracite....ton..	5.068	4.089	4.216	4.335	4.350	4.106	3.825
Coffee:							
Rio............pound..	.151	.128	.116	.098	.104	.109	.093
Java...........pound..	.185	.216	.173	.160	.177	.165	.125
Cotton: Upland..pound..	.176	.121	.115	.118	.103	.109	.082
Fish:							
Cod..............cwt..	5.407	5.996	5.449	6.574	6.311	5.267	4.274
Mackerel.......barrel..	15.968	17.200	18.990	18.790	17.520	21.534	20.419
Hops............pound..	.247	.197	.201	.458	.562	.245	.134
Iron: Scotch........ton..	34.554	24.489	24.445	26.753	24.000	21.618	20.630
Lead: Pig..........cwt.	5.702	4.233	4.858	4.960	4.340	3.822	3.925
Leather..........pound.	.270	.212	.234	.237	.232	.237	.221
Molasses: N. O...gallon..	.603	.370	.467	.587	.529	.512	.507
Nails: Cut.......pound..	.041	.037	.037	.041	.039	.038	.022
Naval stores:							
Turpentine.....gallon..	.476	.308	.470	.515	.428	.324	.343
Rosin..........barrel..	2.689	1.397	2.067	2.115	1.623	1.351	1.137
Paint: Red-lead.....cwt..	8.158	7.900	6.290	6.300	5.800	5.700	5.490
Pork:							
Mess...... ....barrel..	16.954	10.143	17.299	17.040	16.690	16.363	11.645
Hams..........pound..	.120	.084	.116	.140	.139	.131	.108
Lard.............pound..	.105	.065	.120	.119	.100	.043	.068
Rice...............cwt..	7.279	6.590	6.200	5.900	6.400	6.100	5.384
Salt: Liverpool....sack..	2.133	.690	.750	.750	.710	.700	.732
Sugar:							
Cuba...........pound..	.077	.070	.077	.073	.068	.053	.053
Loaf...........pound..	.109	.086	.100	.099	.091	.074	.069
Tallow:							
American.......pound..	.082	.063	.070	.083	.078	.071	.056
Wool:							
Common.......pound..	.263	.254	.290	.306	.302	.265	.343
Merino.........pound..	.550	.414	.454	.455	.440	.409	.266
Pulled..........pound..	.426	.349	.364	.386	.381	.339	.298
Average London price of silver per ounce fine................	**1.325**	**1.145**	**1.138**	**1.136**	**1.110**	**1.113**	**1.064**

TABLE B.

ARTICLES.	Comparison of prices of 1880 and subsequent years, with the average prices of 1870–1872, expressed in 1,000						
	For the three-year period 1870–1872.	For the year 1880.	For the year 1881.	For the year 1882.	For the year 1883.	For the year 1884.	For the year 1885.
Flour:							
Superfine.......barrel..	1,000	819	880	784	676	567	635
Rye-flour ...... barrel..	1,000	790	769	709	813	588	803
Corn-meal......barrel..	1,000	753	824	1,052	784	816	816
Wheat:							
Northern.......bushel..	1,000	897	936	914	863	727	694
Rye ....bushel..	1,000	1,077	1,181	961	842	797	818
Oats.............bushel..	1,000	885	978	1,162	1,016	743	729
Corn ....bushel..	1,000	768	878	1,118	904	865	742
Coal: Anthracite....ton..	1,000	807	832	855	858	810	755
Coffee:							
Rio............pound..	1,000	847	768	649	689	722	616
Java...........pound..	1,000	1,168	935	865	957	892	676
Cotton: Upland. .pound..	1,000	687	653	670	585	619	466
Fish:							
Cod..............cwt..	1,000	1,109	1,008	1,216	1,167	974	790
Mackerel.......barrel..	1,000	1,077	1,189	1,177	1,097	1,349	1,279
Hops ....pound..	1,000	798	814	1,874	2,275	992	543
Iron: Scotch........ton..	1,000	709	707	774	695	626	597
Lead: Pig...........cwt..	1,000	742	852	870	761	670	688
Leather ....pound..	1,000	785	867	878	859	878	819
Molasses:							
New Orleans....gallon..	1,000	614	789	973	877	849	841
Nails: Cut.......pound..	1,000	902	902	1,000	951	927	537
Naval stores:							
Turpentine .....gallon..	1,000	647	987	1,082	899	681	721
Rosin ....barrel..	1,000	520	769	787	604	502	423
Paint:							
Red-lead..........cwt..	1,000	968	771	772	711	699	673
Pork:							
Mess...........barrel .	1,000	598	1,020	1,005	984	965	687
Hams..........pound..	1,000	700	967	1,167	1,158	1,092	900
Lard. ....pound..	1,000	619	1,143	1,133	952	790	648
Rice..... ....cwt..	1,000	905	852	811	879	838	740
Salt: Liverpool....sack..	1,000	323	354	354	333	328	343
Sugar:							
Cuba...........pound..	1,000	909	1,000	948	883	688	688
Loaf ....pound..	1,000	789	917	908	835	679	633
Tallow:							
American.......pound..	1,000	768	854	1,012	951	866	683
Wool:							
Common.......pound..	1,000	966	1,103	1,163	1,148	1,008	1,304
Merino.........pound..	1,000	753	825	827	800	744	484
Pulled..........pound..	1,000	819	854	906	894	796	700
Average	1,000	803	884	951	900	791	711

From Table A it appears that in 1870–1872 the average price of superfine wheat flour, stated in gold, was $5.046. It would follow that 100 barrels of such flour were then worth $504.60 in gold. At the same time, the average price of silver was $1.325 per ounce in gold. Therefore, 380 and 83-100 ounces of silver in 1870–1872 would buy 100 barrels of superfine wheat flour.

Table A also shows that in 1885 the average price of superfine wheat flour was $3.205 stated in gold. In that year 100 barrels of such flour therefore cost $320.50 in gold. At the same time, the average price per ounce of silver was $1.064 in gold. Therefore 301 22-100 ounces of silver, in 1885, would buy the same amount and quality of flour that 380 83-100 ounces of silver would in 1870–1872.

In other words, in 1885, 100 barrels of superfine wheat flour would buy 79 and 61-100 less ounces of silver than the same amount and quality of flour would buy in 1870–1872. A few figures will show the reader that with the exception of fish and common wool, articles subject to exceptional influences, a similar diminution as above found in case of wheat flour exists in the amount of silver which can be bought with a given amount of commodities in 1885 as compared with 1870–1872. It clearly appears that instead of being "depreciated," as alleged by its enemies, silver has actually risen in value since 1872. And, be it remembered, in 1872 the bullion value of a silver dollar was 2¼ per cent. greater than the bullion value of a gold dollar.

From Table B it appears that if the figures 1000 be assumed to represent the total average of prices stated in Table A, the figures 711 represent the total average prices of the same commodities in 1885. From Table A it appears that the ratio of decline in the price of silver bullion stated in gold, from 1870–1872 to 1885, is from $1325 to $1064. This is equal to about 19.7 per cent.; this percentage representing the decline in the value of silver relative to gold for the time stated.

From 1870–1872, commodities declined in value by gold figures 28.9 per cent. That is, 28.9 per cent. would

need to be subtracted from the average prices of 1870–1872 to produce the average prices of 1885.

The foregoing figures show that the bullion-purchasing power contained in a silver dollar in 1885 was about *nine per cent.* greater than the bullion-purchasing power contained in a gold dollar in 1870–1872. If we now had unlimited coinage of silver dollars, each dollar would be worth, at least, the value of the bullion from which it was made. It follows that the "flood of debased money" of which we hear so much would be nothing more nor less than the coinage of dollars, each one of which would contain bullion of a greater value than a gold dollar had in 1870.

The real nature of the "cheap money" cry can perhaps be shown by a dialogue between a farmer and a money-lender who has stated his aversion to cheap money.

"Are you opposed to everything being cheap?"

"No. It is a great blessing to have cheap bread, meat, clothing, and in short to have everything cheap. I do not care how cheap all commodities become. But my property would be depreciated if I am paid off in 'cheap silver.'"

"In that case the *number* of your dollars would not be diminished; and would not the fact that with these 'cheap' dollars you could buy more property than with the dollars you loaned be conclusive evidence that their *value* was unimpaired? The fact is, you want to have the value of land, labor and everything else put down, except the value of money. You want to curtail the production of dollars while the production of all things else goes on without limit. Do you not see that this is simply a mode of robbing the rest of the community for your benefit and others like you?"

ANOTHER COMPARISON OF PRICES.

The following table, prepared by H. C. Burchard, late director of the United States Mint, has been copied from an interesting and valuable pamphlet, "The American Dollar," by Judge R. M. Hughes:

Average and Comparative Prices of the Principal Domestic Commodities Exported from the United States from Declared Values at Time of Export, in Gold:

COMMODITIES.	Average price during fiscal years.			Percentage of price of 1884 to price of 1870.
	1870.	1883.	1884.	
Hogs ....head..	$15.736	$16.896	$13.528	85.9
Mules................. " ..	141.055	114.835	131.162	92.9
Sheep................. " ..	2.405	3.424	3.105	129.1
Ashes, pot and pearl. pound..	.072	.058	.056	77.7
Beer:				
In bottles........ dozen ..	2.091	1.854	1.896	90.6
In casks......... gallon..	.357	.375	.309	86.5
Barley............ ..bushel..	.549	.690	.556	101.2
Bread and biscuit.....pound..	.057	.049	.048	84.2
Indian corn ....bushel..	.924	.683	.611	66.1
Indian corn meal......barrel..	5.001	2.670	3.238	64.7
Oats.................bushel..	.629	.506	.398	63.3
Rye................. " ..	1.131	.764	.695	61.4
Rye flour.............barrel..	5.514	4.156	4.136	75.0
Wheat ....bushel..	1.289	1.126	1.066	82.7
Wheat flour ....barrel..	6.112	5.955	5.588	91.4
Brick ....M..	11.112	8.854	7.590	68.3
Candles ....pound..	.164	.124	.126	76.8
Coal:				
Anthracite..........ton..	4.710	4.747	3.061	64.9
Bituminous.......... " ..	6.632	3.440	4.705	70.9
Copper, pig and bar...pound..	.174	.157	.148	85.0
Cordage, rope, twine... " ..	.205	.109	.096	47.0
Cotton:				
Sea Island .... " ..	.537	.202	.323	60.1
Other............ " ..	.235	.107	.105	44.7
Colored............yard..	.170	.077	.072	42.3
Uncolored......... " ..	.162	.083	.075	46.3
Apples, dried ....pound..	.094	.077	.071	75.5
Glue .... " ..	.251	.181	.164	65.3
Hay....................ton..	17.423	19.656	18.322	105.2
Hops................pound..	.153	.718	.242	158.2
Ice ....ton..	4.068	2.599	2.305	56.6
India-rubber boots, etc ..pair..	3.245	1.382	1.208	37.2
Iron:				
Pig..............pound..	.016	.015	.013	81.2
Bar .... " ..	.050	.034	.030	60.0
Boiler plate....... " ..	.046	.036	....	....
Railroad bars .... " ..	.036	.032	.029	80.5
Sheet, band, etc... " ..	.054	.049	.047	87.0
Car wheels........piece..	19.914	10.662	9.427	47.3
Nails and spikes......pound..	.057	.035	.033	57.9
Steel ingots........... " ..	.119	.092	.106	89.0
Boots and shoes.........pair..	1.519	1.219	1.201	79.0

COMMODITIES.	Average price during fiscal years.			Percentage of price of 1884 to price of 1870.
	1870.	1883.	1884.	
Lime and cement .....barrel..	$1.972	$1.608	$1.649	83.6
Oil cake..............pound..	.021	.013	.014	66.6
Mineral oil, crude.....gallon..	.206	.074	.079	38.3
Naphthas, benzine, etc. " ..	.104	.076	.071	68.2
Illuminating oil .... " ..	.305	.087	.092	30.1
Lard oil .... " ..	1.375	.931	.707	51.4
Neatsfoot oil .... " ..	1.295	.892	.941	72.4
Sperm oil .... " ..	1.589	1.055	.948	59.6
Whale oil............ " ..	.734	.508	.390	53.1
Linseed oil...... .... " ..	1.058	.638	.660	62.4
Gunpowder ....pound..	.157	.153	.157	100.0
Bacon .... " ..	.157	.109	.102	64.9
Hams .... " ..	.157	.127	.102	64.9
Fresh beef .... " ..	.072	.102	.099	137.5
Salted beef........... " ..	.044	.089	.076	172.7
Butter............... " ..	.293	.185	.182	62.1
Cheese .... " ..	.153	.112	.103	67.3
Eggs ....dozen ..	.395	.208	.212	53.7
Fish:				
Dried ....cwt..	5.187	5.571	5.824	112.2
Pickled ....barrel..	8.185	7.185	6.593	80.5
Lard.................pound..	.165	.118	.095	57.5
Pork ....pound..	.133	.099	.079	59.4
Onions ....bushel..	1.675	.945	.859	51.3
Potatoes .... " ..	.690	.975	.675	97.8
Quicksilver...........pound..	.406	.369	.344	55.7
Rags .... " ..	.089	.018	.019	21.3
Rice .... " ..	.059	.063	.060	101.7
Salt.................bushel .	.401	.319	.392	97.7
Cotton seed..........pound..	....	.009	.012	....
Soap................. " ..	.080	.051	.049	61.2
Spermaceti........... " ..	.329	.167	.187	56.8
Spirits of Turpentine ..gallon..	.418	.442	.344	82.3
Starch...............pound..	.082	.046	.045	54.8
Sugar:				
Brown........... " ..	.112	.086	.073	65.2
Refined.......... " ..	.125	.091	.071	57.6
Molasses.............gallon..	.300	.223	.152	50.7
Tallow ....pound..	.101	.082	.076	75.2
Tobacco, leaf......... " ..	.113	.082	.091	80.5
Varnish..............gallon..	1.587	1.941	1.963	123.7
Beeswax.............pound..	.396	.296	.310	78.3
Boards, planks ....M feet..	20.732	16.788	17.063	82.3
Timber, sawed.....cubic feet..	.171	.153	.112	65.5
Wool, raw ....pound..	....	.342	.296	....
Zinc, plates and bars.. " ..	.096	.083	.076	79.2
Average........		....	....	73.9

OUGHT AN EQUALITY TO BE MAINTAINED BETWEEN THE VALUE OF THE GOLD AND THE SILVER DOLLAR?

Some persons favor coinage of silver to the greatest extent consistent with maintaining an equality between the silver and the gold dollar. Beyond that point they are not willing to go.

A little reflection shows that such persons are ready to sacrifice the positive advantages of a currency of uniform value to the superstition that gold has an "unvarying value." The foregoing tables show conclusively that gold has risen largely in value. Suppose, in consequence of an increased use of gold in the arts, a diminution of the productiveness of gold mines, or from any other cause, gold should continue to rise. Instead of a rise of twenty-six per cent., suppose it should rise fifty or sixty per cent. and prices stated therein be correspondingly depressed. In such case, which is probable, shall we contract and limit the number of silver dollars in order to raise each one of them to whatever value gold may reach? But this absurd conclusion is precisely what the doctrine aforesaid inevitably brings us to, if we logically adhere to it.

The theory that we should make it a cardinal point to maintain an equality between the value of the gold dollar and the silver dollar is utterly false. It ignores the established principle that the only way to preserve uniformity in the value of dollars is to maintain uniformity in their relative number, without reference to the materials of which those dollars are composed.

STATEMENTS OF THE NEW YORK TRIBUNE.

The New York *Tribune* of January 8, 1885, says:

"About the 13th of December, 1884, the market for products touched the lowest level of prices ever reached in this country since records of prices began. The range of prices is now below that of October, 1878, then the lowest reached for many years. When the depreciation of paper currency vanished in October, 1878, it was found that prices were more than 15 per cent. below the specie level of 1860, the last preceding year in which prices had been made in gold."

In the summer of 1885, the New York *Tribune* contained another editorial, the essence of which was stated in the heading, "*Prices twenty per cent. lower than in* 1860." As the *Tribune* is an advocate of demonetizing silver, the significance of the above admission is apparent. A little reflection ought to have shown this editor that in these articles he refuted all that he had been constantly saying about the "depreciation of silver." For, by his own showing, the change in values arose almost entirely from stating prices in gold, enhanced in value, while prices stated in silver were little changed.

SILVER MORE STABLE IN VALUE THAN GOLD.

First. Its amount is greater. The total value of all the silver in the world is greater than the total value of all the gold in the world. The smaller the amount of any commodity, the more easily and readily it is affected by any influence which tends either to increase or diminish the demand for it.

In 1828, the Russian Government, owning the principal platinum mines in the Ural Mountains, in view of the indestructible qualities of platinum, commenced to coin it into money. But it was soon found that, owing to the small stock of platinum in existence, any increased demand for those coins caused a great increase in their value. Coinage of platinum was soon abandoned in consequence. This experiment of Russia demonstrated what could have been foretold from reasoning; viz., the value of the materials from which metallic money is made is raised or lowered by an increased or a diminished demand for them, just as an increase or a diminution of the temperature to which they are exposed raises or lowers the heat of different sized bodies of water. A few hours of warm sunshine will materially raise the temperature of a small dish of water. Much less effect, by the same rays, will be produced on a barrel of water. On a deep lake, the effect would be inappreciable. The same phenomena are produced by the ex-

posure of different sized bodies to cold. The shallow water will freeze while the deep water remains open.

The amount of gold being smallest, it is first, and to the greatest extent, affected in value by an increased demand for it. In the language of brokers, it is easily "cornered." Silver, being larger in amount and value than gold, is less readily affected by changes of conditions than gold. And when gold and silver are both used as full legal tenders with unlimited coinage, it is more difficult to either raise or lower their value than when one metal is used singly. The stock of metal on hand is then greater and there is more inertia to overcome.

Second. Silver is owned and held by a much greater number of persons than gold. This fact produces an effect similar to the superior stability in temperature of a large body of water. It is far more difficult for any new condition or event to suddenly affect the value of what is held by six hundred millions of people than to affect something held by two hundred millions.

Third. Money, whose value is practically identical with the value of the materials from which it is made, is perfect just in proportion to the stability of the value of those materials. Said materials will remain stable in value just to the degree that the conditions surrounding them are stable; that is, they must increase in amount when an increased demand arises for them and they must diminish in amount when a diminished demand occurs. Otherwise the altered demand will inevitably alter their value. This is one reason why money made of silver is less liable to fluctuate in value than money made of gold. Gold mining partakes more of chance and accident than silver mining. Silver ore can be more certainly and readily increased in amount by the application of additional machinery and labor than gold bullion can. In other words, silver mines are more in the nature of a permanent, regular industry, and consequently are more responsive to the stimulus of an increased demand for silver bullion than gold mines. Espe-

cially is this comparison true when made with reference to gold placer mines.

But it is obvious that neither one of said metals can be as fully controlled in amount as may be necessary in order to insure absolute stability in the value of the money made therefrom.

Fourth. Its greater bulk and weight make it more difficult to hoard silver than to hoard gold. It is not the amount of money in a country which affects prices so much as the amount of money in actual circulation. Hence a combination of capitalists, by hoarding a large amount of money, can depress prices at pleasure. It is more unlikely that a country with a silver currency should be suddenly drained of a large portion of its coin, as the combined result of exportation and the hoarding which often accompanies large foreign shipments of bullion, than in case of a country with a gold currency.

STABILITY OF PRICES IS THE PRACTICAL RESULT OF A STABLE CURRENCY.

Stability in the average scale of prices is the practical result of a currency whose value is stable. In fact, the market quotations of prices, on the average, are simply a record of the fluctuations in the value of the money in which those prices are computed and paid. This test shows that for the past quarter of a century, the period which includes the years when several nations have made war upon silver, the value of silver has been more stable than the value of gold. Any one can readily test the accuracy of the above statement by comparing the prices of commodities each year, stated in gold, with what those prices would be if computed in silver. He will find that the apparent fall in the value of silver has kept about an even pace with the apparent fall of prices; thus demonstrating that the value of silver has remained nearly stationary while the value of gold has been forced up by increased demand over twenty-five per cent.

A great cry has been raised about the "depreciation"

of silver. The "80-cent dollar" cry is so apparently true that it deludes a multitude of persons. But every cloudless day presents a similarly apparent fact; to wit, the motion of the sun. It certainly does look as if it rose in the morning and traversed the sky throughout the day. What wonder that all mankind until within less than 300 years supposed the earth stood still! The "fixed value of gold" is an idea superficially and apparently true;—but in fact it rests on a delusion similar to the old belief that the earth had a fixed position.

The only scientific test of the actual value of silver is found in a comparison of prices. Prices are an unfailing indication of the value of money, because average prices are the average judgment of mankind in regard to the relative value of different things, stated in money terms.

In 1864 the silver dollar of 412½ grains was worth four per cent. more than the gold dollar. But 1000 ounces of silver bullion will now buy more property than 1000 ounces of silver bullion would in 1864. Silver has therefore actually a greater value now than in 1864.

THE 125-CENT DOLLAR.

The facts would be correctly stated if it were said that the gold dollar has become the 125-cent dollar, and that whoever lent gold in 1873 and is now paid in silver dollars receives more value than he loaned. Instead of "cheap silver" he would be paid in silver dearer than gold in 1873.

LABOR, A TEST OF VALUE.

Adam Smith for a long time has been considered one of the ablest writers on political economy. Adam Smith says: "Labor is the only universal, as well as the only accurate measure of value, or the only standard by which we can compare the values of different commodities at all times and places."

As a result of progress in science and its application to art, more labor is yearly performed by machinery; less muscular exertion is required from human hands to accomplish

a given result. Consequently, whoever loaned 10,000 days' labor a hundred years ago, and is repaid now with the same number of days' labor, gets more value than he loaned. In addition to the labor loaned, he receives back the interest and the amount of products which 10,000 days' labor now represent in excess of what they were the equivalent of when the loan was made. But suppose we apply the method recommended by Adam Smith to comparing the value of silver in 1885 with its value twenty years previously. In 1865 nothing had been heard about the "depreciation and fluctuation of silver." The bullion value of the silver dollar of 412½ grains was then 3 52-100 per cent. higher than the bullion value of the gold dollar of 25 8-10 grains. A hundred ounces of standard silver bullion were then worth about $1204 in New York. A hundred ounces of silver are now (1885) worth about $960 in New York.

Will $960 buy as much labor in New York in 1885 as $1204 would in 1865? Any one with the slightest familiarity with the wages of labor would answer this question in the affirmative. In fact, on the average throughout the United States, a smaller amount of labor was required to buy a hundred ounces of silver at any time for the ten years prior to 1872 than is required now.

SILVER HAS RISEN IN VALUE.

Thus we find that instead of having fallen in value, as commonly alleged, *a given number of ounces of silver bullion has a greater value now, thus determined, than when the bullion value of the silver dollar was more than that of the gold dollar*. The abused silver dollar in 1885 has actually a greater bullion value than the gold dollar had in any one of the ten years before the demonetization of silver, when measured in the manner recommended by Adam Smith.

WHY SILVER HAS NOT FALLEN IN VALUE.

The question naturally arises: Why has not silver bullion fallen in value in consequence of being demonetized by several nations? It has thereby been placed under more unfav-

orable conditions than formerly. Why has it not fallen in value, not merely relatively to gold, but absolutely, when tested in a proper manner?

If the demonetization of silver had been the only event occurring to change the various conditions which give value to silver, it would undoubtedly have largely depreciated. But several other causes have modified the result that otherwise would have followed silver demonetization.

First. A steady increase both in the population and in the commercial and industrial activity of several nations, thus creating more demand for both gold and silver.

Second. An increase in the consumption of silver in the arts. This arises both from a greater use of silver for purposes to which it was formerly applied, and from new inventions and new applications of its use.

Third. The falling off in productiveness of some silver mines and the dissipation of former expectations that enormous amounts of silver would be easily mined.

Fourth. The resumption of "specie payments" by several nations. A new paper dollar which performs all the functions of a metallic dollar has the same influence on the value of all metallic dollars in existence as the addition to the currency of a metallic dollar has. That is, every additional paper dollar depresses the value of every existing metallic dollar. On the other hand, the destruction of paper money enhances the value of existing metallic money just to the extent that the destruction of an equal amount of metallic money would. There is more demand for what is left in circulation, and its value is proportionally increased.

We have replaced fractional paper money with silver coins, and have partially remonetized the silver dollar. In this way we have created a market for over two hundred million dollars' worth of silver. If the United States should stop the coinage of silver, the tendency of such a measure would inevitably be to still further enhance the value of gold, and to correspondingly depress the value of silver, relative to the value of gold.

As heretofore stated, the value of a thing always depends

on the conditions under which it is placed. But it must be remembered that value does not depend on *one* condition, but upon the aggregate influence of the whole number of conditions. In the case of silver since 1872, one condition, viz., its disuse in several nations as a legal tender, tended to lower its value. But the various other conditions, above named, have so far neutralized the effect of demonetization as to prevent any fall in its value.

SILVER HAS ALWAYS FLUCTUATED IN VALUE.

The aforesaid facts and principles explain the phenomena which have been a mystery to many; viz., what have been called "recent fluctuations" in the value of a metal which for so long a time has been regarded as having a fixed value.

Silver and gold have both always been subject to fluctuations in value. So long as a legal price was affixed to both of them, these fluctuations were obscured by what is called the "par value test." Besides that, the actual changes in the value of a currency composed of both gold and silver are less than the changes in value of a single metal. To make what is called "the fluctuation of silver" appear still greater, a combination of new conditions have been placed around gold, all of which have tended in one direction; viz., to enhance its value.

The legislative change of existing contracts produced by demonetizing silver and thus raising the value of the remaining legal-tender metal is not the only nor the greatest evil inflicted on its citizens by a nation which adopts such a policy. By ceasing to use two legal-tender metals, and using only one, a nation reduces by one-half the total volume of metal from which to coin its legal tender. As before illustrated by bodies of water of different sizes, a small amount of metal is more susceptible to changes of condition than a large amount. Changes in its value are therefore more easily produced, occur more frequently, and are greater in degree.

Since England, in 1816, adopted gold as the sole legal

tender, the value of her currency has been subject to greater fluctuations than that of any other nation. Prof. Jevons, himself a native and resident of England, says:

"It is certain that the sensitiveness of the money market will increase, and it is probable that commercial crises will from time to time recur, even exceeding in their violence and disastrous consequence those whose history we know too well."

The advocates of a single gold standard invite us to step upon this "sensitive" foundation which leads to such frequent panics.

WHY ENGLAND HAS A GOLD CURRENCY.

Why does England maintain gold as the sole legal tender when experience has shown that such a course creates great changes in the value of her money?

England has largely increased in wealth since she adopted the gold policy. But she has had severe panics every five or ten years since that time. Her wealth is mostly in few hands. The rich are very rich and the poor very poor. There is an appalling amount of pauperism. England is governed by the rich and by an aristocracy. These persons believe that a few should govern the country, and that it is better for those few to own most of the wealth of the country. A gold policy is in harmony with these ideas because it makes it easier to carry them out. English ideas and institutions have many rich and snobbish admirers in this country. These persons are almost unanimously in favor of making gold the sole legal tender.

A gold policy makes it easier for a rich man to grow richer and harder for a poor man to become rich, because, under it the amount of money in circulation is subject to frequent and rapid changes. This causes great fluctuations both in the prices of commodities and labor, and in the rate of interest for money. Fluctuating prices operate specially to the disadvantage of the poor, and persons in very moderate circumstances. The rich can take advantage of a fall in prices to buy, and of a rise in prices to sell

property. But a poor man, or a business man with little capital of his own, is often driven by his necessities to buy and sell at a disadvantage. He is also often forced to pay exorbitant rates of interest to prevent an utter sacrifice of his business and property.

Those who ascribe all our troubles to the coinage of the silver dollar should remember that the industrial classes of England are far worse off than those of this country.

SHOULD WE MAKE TIMES HARDER IN EUROPE?

It has been urged by many persons that we should stop the coinage of silver for the express purpose of making times in Europe still harder than at present, and thus inducing her remonetization of silver by international agreement.

But it should be borne in mind that the distress in Europe caused by the rise in value of gold enriches the creditor classes; and these are the classes which dictate European policy. These persons would like to have their bonds made still more valuable than at present. Moreover, such a proceeding would increase the robbery of the debtors and tax-payers of this country.

It is a suspicious circumstance that nearly every one who originally denounced the Silver Bill of 1878 is now raising a doleful wail for its repeal, under pretense of a desire to compel other nations to coin silver. As Falstaff said: "How this world is given to lying."

ARE PAYMENTS IN SILVER HONEST?

For several years a cry has been raised that payment of debts with silver dollars would be a dishonest thing for the United States Government, or for private individuals, to do. The denunciation of those who advocate the payment of Government bonds in silver dollars has been especially fierce. The national administration has thus far been conducted on the theory that silver dollars cannot rightfully be used in payment of bonds; and consequently many millions of silver have lain idle in the vaults while interest-bear-

ing bonds were due. Let us examine the facts of this matter.

In the first place, it is clear that the United States Government is bound, in honor, to do precisely as it agrees. The evidence of the agreement is the written bond to which every bondholder gave his assent when he bought and accepted it. If the Government pay less than agreed, it robs the bondholders; if it pay more than agreed, then it robs the tax-payers.

Nearly all the outstanding Government bonds were issued by authority of law passed in 1870. These bonds bear upon their face in conspicuous letters, this inscription: "This bond is issued in accordance with the provisions of an act of Congress, entitled, 'An act to authorize the refunding of the national debt,' approved July 14, 1870; amended by an act approved January 20, 1871, and is redeemable at the pleasure of the United States, after, etc., in coin of the standard value of the United States on said July 14, 1870, with interest in such coin." This constitutes the contract between the Government and the bondholders. It shows upon its face that it was contemplated that Congress might change the standard of value, and that it was expressly stipulated that the legal coins of July 14, 1870, were agreed upon as the means of paying both principal and interest. On July 14, 1870, there were two legal-tender coins, either of which could be lawfully tendered in payment of debt, viz., the silver dollar of 412½ grains or the gold dollar of 25 8-10 grains.

At that time, the silver dollar was worth 2 67-100 per cent. more than the gold dollar. The money-lending interest made no effort to have the word "gold" inserted in the bonds. They evidently preferred to have it worded as it is. In the light of their conduct since that time, it is certain that if events had made the gold dollar worth considerably less than the silver dollar, that the bondholders would now denounce the gold dollar as "dishonest."

A agrees to deliver B 1000 tons of coal, one year hence, at $5 per ton. When the year expires, if coal is worth $6

per ton, A is both legally and morally bound to deliver the coal at $5 per ton. If coal is then worth $4 per ton, B is both legally and morally bound to receive and pay for it at the rate of $5 per ton. Suppose C should rent his farm to D and agree to receive either 200 bushels of wheat or 400 bushels of corn for the yearly rent, D to have the option of selecting the kind of grain. If corn fell in price so that 400 bushels of it were worth less than 200 bushels of wheat, C would have neither legal nor moral right to refuse to receive the corn as agreed. Every principle of law and equity in these assumed cases applies to the bondholders. The incidental and unavoidable risks of contracts should be borne by them just the same as by other citizens. Every purchaser of a coin bond agreed thereby to receive payment therefor of the number of "dollars" on the face of it. These "dollars" were to be represented by 25 8-10 grains of gold, or by 412½ grains of silver. The option of selecting the kind of dollar rested with the Government. Whether silver have risen or fallen in value, is not a question which the bondholders have a right to raise; they made their own bargain and are now bound to abide by it.

WRITTEN CONTRACTS MORE RELIABLE THAN VAGUE UNDERSTANDINGS.

It is claimed that there was "an understanding" that the bonds were to be paid in gold. This is urging the Government to adopt a principle that not one of those who so urge would adopt for a moment in the conduct of his own private affairs. If after entering into clear and explicit written contracts, a man, or a government, should permit the setting aside of such contracts, and the substitution therefor of vague "understandings," all business would be reduced to chaos. It would be impossible to decide just what those indefinite understandings were.

What is true of the national debt is largely true of State, city and private debts. The great majority of them were created under the contract of the debtor's option to discharge them either in gold or silver. Equity requires that

original contracts be executed as agreed upon. A great cry has been raised that such a course would be "dishonest" because it would be payment in "the cheapest kind of money." But the creditors have invariably lent the "cheapest kind of money." They never lent silver, when gold was cheapest; nor gold, when paper would answer. Why then should not the same privilege be granted the debtors?

A MAN CANNOT LOSE WHAT HE NEVER OWNED.

Elaborate tables have been published showing how much the national bondholders and different classes of other creditors would "lose" if silver should be used instead of gold. A man cannot "lose" something he never possessed. As a matter of fact, the Government bonds were originally paid for in paper money, worth, on an average, over thirty per cent. less than the silver dollar then was. If paid in silver, the national bondholders will merely "lose" an opportunity to take from the tax-payers and debtors something to which they have neither legal nor moral right. A similar thing is true of other classes of creditors.

DIFFERENCES IN RELATIVE VALUE OF GOLD AND SILVER.

As one of the chief arguments in favor of demonetizing silver, it has often been said that a bi-metallic currency occasions great losses and inconvenience because the two metals are liable to vary in value with regard to each other; and thus a nation with both gold and silver as legal tenders is liable to have changes occur in its kind of money,—gold displacing silver and silver displacing gold. Several plain facts are a sufficient answer to this argument.

First. The *material* of which a nation's money is composed is secondary in importance to the stability in value of that money. When a change occurs in consequence of the appreciation of one of the metals relatively to the other, justice requires that the one remaining most stable shall be employed. So long as both metals are legal tenders without limit, a sudden change in their relative value is impos-

sible, because the disuse of one metal in one country will at once liberate a large amount of that metal for use in another country, and thus nearly restore the equilibrium. The dire commercial distress of the United States in 1876, 1877, and 1878 was chiefly due to our engaging in a fierce competition with European nations for a supply of gold, enhanced in value by such a struggle. If we had not demonetized silver in 1873, the silver dollar would soon have become our metallic money, and prices in Europe and America would not have fallen as a result of struggles to keep and get gold. We should have let Europe quietly keep it, until without any disturbance it came to us in exchange for commodities, or for silver needed for the East.

Second. It is almost impossible to find two horses, or two oxen of precisely equal size, strength and endurance. But, in fact, we constantly harness such unequal animals in pairs without a thought of the "absolute impossibility" of having them perform an equal amount of work. We simply put an "evener" behind, or between them, and thus obviate all trouble which might otherwise arise from differences in their fleetness or strength. In like manner, it is perfectly feasible to devise an "evener" which will obviate any inconveniences arising from changes in the relative value of gold and silver. It could be done throughout the world by international agreement. A single nation, the United States, for instance, could make an "evener" of its own which would always keep gold and silver in concurrent circulation.

A SUGGESTION FOR CONSIDERATION.

At the risk of being deemed presumptuous, I venture to suggest the following for consideration. For all future contracts, let gold and silver be made semi-legal tenders, *i. e.*, all coin debts to be only legally payable by delivery of one-half their amount in gold dollars of 25 8-10 grains, and the other half in silver dollars of 412½ grains. Any contract or device to avoid this bi-metallic system to be voidable

by either party as contrary to public policy. The debtors vested option to pay in such metal as he chose to remain undisturbed with regard to all existing obligations.

It appears that this would tend to create a greater stability in the value of a given number of "dollars" than exists under the present system. Both kinds of coin would be kept in circulation because neither creditor nor debtor could use silver to the exclusion of gold, or gold to the exclusion of silver. A fall in the value of one kind of coin would almost inevitably be accompanied by a corresponding rise in the value of the other metal. It would be a mode of balancing, or compensating a fluctuation in the value of silver by a reverse change in the value of gold. Both metals could be blended by melting them into one coin, but this has been deemed impracticable on account of the danger of counterfeiting created by such a measure. The foregoing suggestion probably has some defect which would make it valueless. But it is morally certain that whenever the people desire the maintenance of a bi-metallic currency, in actual circulation, their combined wisdom will find a way to accomplish such a purpose. Moreover, as elsewhere pointed out, one of two legal tenders is performing an important duty when not in circulation, but standing guard to prevent an undue rise in value of the legal tender actually in use.

Third. Although we are daily told that it is impossible to concurrently use both gold and silver as money, yet the plain fact is that it has been done from time immemorial. Substantially nothing was heard about the evils of using both gold and silver, until the creditor classes conceived the scheme of increasing their wealth by demonetizing one of the precious metals. The truth of the old adage: "He that wishes to whip a dog can always find a stick," was thereby again demonstrated.

Fourth. If the allegations, that silver and gold cannot be concurrently used as money, and that gold is far superior to silver in stability, be true, it logically follows that silver should be entirely demonetized throughout the world.

For if the arguments used in favor of gold be true, how can a nation with a gold currency trade advantageously with a nation with a silver currency? In fact we are told that if we have a silver currency, commerce with gold-using countries will be impossible. If this were so, the silver-using nations could not trade with England as they now do. Those who make such statements forget the demonstrated fact that such an event would not interrupt our commerce for an hour.

RESULT OF ENTIRE DEMONETIZATION OF SILVER.

If silver were thus universally demonetized, conjoined, as such a measure naturally would be, by a proportionate destruction of paper money, the result would chiefly appear in an enormous fall in prices and consequent wholesale confiscation of the property of debtors. Laborers' wages would fall to a few cents a day. Every person materially in debt would at once be made hopelessly bankrupt. Nearly every nation, State and city on the globe would be forced either to repudiate its indebtedness, or to levy a tax so oppressive as to precipitate a bloody revolution if a forcible attempt were made to collect it. In a short time all debts would be wiped out, either by bankrupt laws or by revolutionary decrees. Short-sighted creditors who expected to seize the property of their debtors by virtue of the new contracts thus made by changing entirely the meaning of the word "dollar," "pound," etc., would probably find themselves seized by an outraged people. After a period of anarchy, the world would clearly see that it had suffered greatly, and gained nothing thereby but sad experience.

THE IDEA OF COERCING ENGLAND.

Many persons urge that the United States should at once suspend coinage of silver for the express purpose of still further depressing the value of silver relative to gold, making times still harder in England, and thus forcing her to remonetize silver.

Such persons forget two things. First. Harder times in England, thus made, means harder times for us. Second. The men who would suffer by still harder times in England are not the ruling class. England is ruled by creditors to whom such a measure, until revolution occurred, would bring increased wealth. If we could thus severely pinch the nobility and money kings of England, the case would be different. But even then we should look after our own interests and not attempt to interfere with the affairs of other nations, except by setting a good example.

OUGHT PRICES TO BE DEPRESSED BY LEGISLATION?

The attorneys of the money-lenders substantially argue that as prices rose in consequence of the increased amount of gold yielded by the mines of California and Australia, therefore it is right for legislation to demonetize silver and thus put prices back where they were before 1850.

But if this argument be a sound reason for legislative interference with coinage in behalf of money-lenders, why stop at the scale of prices just before the gold mines of California were discovered? On the same principle, why not go back to the scale of prices prevailing in the world before 1492? The discovery of the American mines of gold and silver revolutionized prices and commerce. If the doctrine be true that the amount of metallic money should be regulated by legislation, it follows that the only limit to legislative interference in that direction is the opinion of law-makers.

Suppose we concede the groundless claim that silver has so increased in amount that it would have fallen in value even if it had not been demonetized. If this be reason for the creditor classes to demonetize silver, does it not follow that the debtor classes have an equal right to protection? Have they not a right to say: "Gold mines are failing,—gold is growing scarcer and dearer; let us diminish the weight of the gold coins."

THE BEST KIND OF MONEY.

A ballot taken among a pack of wolves would always show unanimity in support of the proposition, that sheep should be allowed unlimited freedom and not be hampered and injured by the restrictions of armed, vigilant and odious shepherds.

The advocates of making gold the sole legal tender never weary of reiterating that such a policy would give us the "best kind of money." Let us see what this phrase means. For whom, for what classes, is gold the "best" money? It is undoubtedly thought "best" for some persons else they would not desire it. The conduct of mankind is largely controlled by selfish considerations. Hence, when we see a class of persons who eagerly labor for the adoption of a certain policy, it is safe to presume that such a policy in their opinion is "best" for them.

Money which is "best" for one class of persons is not necessarily best for the whole community. Money that is easily counterfeited is undoubtedly the "best kind of money" for those who wish to get their living by counterfeiting; but for all other classes that money is best which is most difficult to counterfeit with impunity.

Money which is steadily and inevitably increasing in value is "best" for those who own large amounts of bonds and mortgages. While such an event does not alter the nominal value of their securities, and is therefore often unnoticed and always superficially fair, it nevertheless does change their real value. For a man who loaned $100,000, due ten years thereafter, when an average day's labor of a common laborer was worth one dollar, that money is "best" which will enable him when the loan is repaid to buy with it the equivalent of 120,000 days' labor. But such money is not "best" for the debtors who are thus obliged to pay the equivalent of 20,000 days' labor more than received when they borrowed the money.

For the purpose of speculators who have bought property to be delivered in future, that money is "best"

which is rapidly depreciating in value. By such an event, the market price of what they have agreed to take at a fixed price is raised above the stipulated sum, and a profit thus made for them. This is so because their agreement was not to pay a fixed amount of value for the purchase, but a fixed number of "dollars"; no matter how much these "dollars" may have fallen in value, payment of the number named in the contract legally entitles them to the property.

Money which can most easily be "cornered" is "best" for those who wish to create, at will, fluctuations in the stock and produce market. The smaller the amount of legal tender, the more readily such schemes can be successfully consummated.

Those whose business is to deal in money, bills of exchange, stocks, bonds; and to continually buy and sell all kinds of portable property, find profit in constant fluctuations in the value of money, and consequent incessant changes of market prices. Sometimes they lose largely by such changes; but, as their facilities for acquiring and acting on information in regard to the markets are usually better than those of the general public, on the average, they make a profit out of these fluctuations. This is done by continually throwing the losing side of said fluctuations on the laborers, farmers, manufacturers and others whose occupations tend to lead them to think more about the general usefulness of things than about the changes in market prices. For such traders, that money is "best" which fluctuates most largely and most frequently in amount.

STABLE MONEY BEST FOR THE MASSES.

The interests of the great majority of the community are different from those of the aforesaid classes. For the masses, that money is "best" which is most stable in value. Fluctuations in the value of money produce fluctuations in the prices of all things bought and sold; and, on the whole, the general public are the losers by such changes in

prices. A few alert and cunning traders gain by changing prices, and this gain is always some one's loss.

A STABLE CURRENCY BEST FOR DEBTORS.

It is imagined by some persons that debtors are benefited by a depreciating currency. A few debtors may thus receive benefit ; but, on the average, the interests of debtors are best promoted by a currency stable in value. Debtors undoubtedly have one interest in the direction of money falling steadily in value; but the preponderance of their interests lies in favor of securing the greatest possible uniformity in the value of money. To a merchant, largely in debt for the goods in his store, the benefit derived from public prosperity largely outweighs any advantage he might derive from paying his debts in money less valuable than when he bought the goods. His aim is to maintain steady sales and get the difference between the wholesale and the retail price of his goods. Anything which is not to the public interest tends to diminish his sales in proportion to the injury thereby inflicted on the public. Thus the debtor's interests are, on the average, identical with the interests of the public ; viz., they are best promoted by a stable currency.

WHY DIFFERENT CLASSES HAVE DIFFERENT IDEAS.

The foregoing considerations explain why different classes have different ideas as to what constitutes the "best kind of money." Men's actions are usually the best indication of their thoughts and wishes. From whence did the movement for making gold the sole legal tender originate ; and by whom has it been carried on ? Before looking for an answer to this question, we should naturally expect that those whose wealth would be increased by a currency rising in value, most easily controlled, and subject to the greatest fluctuations in purchasing power would be the ones to favor a currency possessed of those attributes. We should not expect such persons to zealously advocate a stable cur-

rency, because that would not best promote their selfish interests.

A NOTORIOUS FACT.

The notorious and undisputed fact is that those who originated and have maintained the movement toward making gold the sole legal tender, are precisely the classes whose interests are best served by an appreciating and a fluctuating kind of money. The money-lenders, the bankers, the speculators and the brokers, are the chief advocates of gold. Where silver has been demonetized, we find that such a step was not originated by the people; but by the bankers, brokers, money-lenders and their various attorneys. Foxes do not spend a great deal of time and labor in devising means for the protection of quail, partridges and other animals they feed upon. When a bankers' convention says that gold is the "best money," it means, in reality, that it is best for the bankers and those with kindred interests.

The conspiracy for creating money "best" for the conspirators will come to naught whenever the majority of the people fully see that the money "best" for a few is adverse to the interests of the many.

A LETTER FROM AN "ECONOMIST.'

The following letter is a good sample of the kind of argument commonly used to prove that gold, as the sole legal tender, is the best kind of money for the laboring classes.

"In a recent article in the *Sun*, entitled the 'Cry of the Savings Bank Presidents,' and in opposition to their petition against the further coinage of silver, I find the following:

"'What the petitioners fear is evidently the depreciation of deposits, which they think would be caused by the victory of the silver standard. They assume that the dollars which are now worth 125 cents would sink to 100 cents, and depositors would lose the difference.'

"In thus asserting or assuming that there are, or may be, two kinds of dollars in circulation, one worth 125 cents and the other 100 cents, you effectually knock out, it seems to me, from under the advocates of

further or unlimited silver coinage every support to their position. Let us reason about it a little.

"When any person, more especially one who depends upon the results of each day's toil to meet each day's needs, earns a dollar by his labor, what sort of a dollar is he entitled to receive? Manifestly the very best dollar. Manifestly, further, the laborer or bread earner, whoever he may be or wherever he may live in all this great country, can now have the best dollar of 125 cents (purchasing power) just as readily and cheaply as he can have the other kind of a dollar, presently or prospectively worth less; and he can continue to have it just so long as nothing is done to impair the power of the national treasury to exchange silver for gold on demand. Now why should the laborer be willing to abate anything of this privilege? And is not the man who advocates a policy whereby the laborer is compelled to receive a dollar inferior to the best inflicting an injury upon him? Is he not the workingman's enemy?

"Again, the laboring man is told that he should favor free or continued coinage of silver, because the 'gold bugs' don't want silver. But is not the argument based on such an averment all the other way? A gold bug is one who is credited with knowing all about money and looking sharp after his own interests. Well, if the gold bug is satisfied that a gold dollar is best for him, and the laborer can have a gold dollar for every one hundred cents that are due him, as he now can for the asking, why are not the interests of the gold bug and the laborer one and the same? Is it a good reason because the gold bug wants roast beef and plum pudding that the laboring man should be asked to content himself with brown bread and raw turnips? Can you furnish me or your readers with a pair of spectacles that will make this business of continued silver coinage look differently?

"David A. Wells.

"Norwich, *March*, 1886."

In the first paragraph of what he is pleased to call "reason," Mr. Wells informs us that a laborer can get a dollar worth 125 cents just as "readily and cheaply" as one worth 100 cents. This statement necessarily implies that a laborer can obtain as many dollars, worth 125 cents each, for a week's wages as he could obtain for the same labor if those dollars were worth only 100 cents each. If this assumption were true 125-cent dollars would clearly be to a laborer's interest. Furthermore, it would be to the workman's interest to further contract the currency so that a dollar would be worth 150 or 200 cents.

The only difficulty with Mr. Wells' assumption is that it

is not true. The number of dollars paid a laborer for a week's wages depends on the value of each one of those dollars. The higher the value of the dollar, the smaller the number of those dollars paid for a given amount of work. Hence there is no truth in the assertion that 125-cent dollars can be had as "cheaply" as dollars worth 100 cents each. Employers are not in the business of giving 125 cents' worth of money for 100 cents' worth of work. The greater the value of a dollar the greater the number of hours' labor must be given in exchange for one.

Mr. Wells next informs us that "the interests of the gold bug and the laborer are one and the same." That is, the interests of the owners of the eight thousand millions of national, State, municipal and rail road bonds, due from the people of this country, are identical with the interests of those whose labor must directly or indirectly pay both interest and principal of those bonds. Is this true?

If every one of the "dollars," which in the aggregate form this vast public debt, be worth 100 cents, and at the same time an average day's wages be worth 100 cents, then eight thousand million days' labor will pay these bonds. But if we increase the value of each one of the "dollars" constituting those bonds to 125 cents, then it will require ten thousand millions of days' work to discharge this debt. By increasing the value of a dollar to 125 cents, the bondholders have increased the value of their bonds to the extent of two thousand millions of days' labor. Are the interests of those who are to *receive* this extra two thousand millions of days' work identical with the interests of those upon whom this additional burden has been laid and who must *pay* it from reduced wages?

The laborers of this country owe a great number of "dollars." When this debt was created each one of these "dollars" represented a certain number of hours' labor. Is it to the laborers' interest to increase the number of hours' work which must be paid for a dollar, and thus increase the amount of work which will have to be performed to cancel said debt?

Mr. Wells argues that when the meaning of the term "one dollar" is so changed that it really means 125 cents, those who owned or had due them thousands of millions of those "dollars" do not profit by such a change any more than those who had no "dollars" on hand, and who must buy these enhanced dollars by giving more hours' work for each one of them. He labors to persuade us that when a debt of one hundred dollars is changed by sly legislation to a debt of one hundred and twenty-five dollars, the creditor and the debtor have the same interest in this rascality.

Mr. Wells omits stating the vital point; to wit, that when legislation practically changed the meaning of the term "one dollar," the number of those dollars paid for a week's or a year's wages was diminished, but the number of those dollars due the owners of evidences of debt remained unchanged.

Mr. Wells and his co-laborers are like Louis XVI. A revolution is in progress and they are oblivious of the fact. The American people have fairly begun to think for themselves. Pretenders to a monopoly of economic knowledge will not be able to mislead them in future as easily as they have heretofore. They are beginning to see that a legal restriction of the number of either gold or silver dollars may be "best" for a *few*, because it silently *increases* the value of their property and *lowers* the value of that of all other persons.

CHAPTER X.

Is Money Capital?—Nature of Capital.—Similarity between Money and Blood.—Money helps Production without forming Part of Products.—No kind of Capital produces without Labor.—Many kinds of Capital have special Functions.—All Hoarded Things are Useless when Hoarded.—A useless Thing is not Capital.—When Money is used.—The true Test of Money.—Control of Money is Control of Labor.—How Money may be Controlled.—Who should control the Amount of Money.—The true Doctrine.—Jeffersonian Democracy.—A Conservative Measure.

A single false premise may be the parent of a long train of evils.

It is generally taught that money is not capital. A recent writer of an orthodox treatise on money says:

"Except in a qualified and peculiar sense, money is not capital. It has no direct agency in production; does not enter as a constituent part into the products of industry, like iron or cotton. Of itself, it produces nothing; brings no gain to the holder. What is called interest is earned wholly by capital, and is paid exclusively out of the profits of the latter. He who has money and wishes to obtain an income from it, exchanges it without delay for capital. For the purpose of hoarding, without reference to use, it is worth no more than any other measur say a bundle of yardsticks."

The above quotation misstates an elementary principle and propounds a doctrine, the general belief in which has led to serious legislative errors. Laws have been made based on the assumption that, as money is not capital, meddling with money is not an interference with capital.

NATURE OF CAPITAL.

In our study heretofore of the nature and attributes of capital, we found that any tool, machine, or agency which makes it easier for labor to create wealth than it otherwise could, is capital in the full sense of the term. A farm-

er's oxen, plow, and cart, are capital; they are the tools which help and lighten his labors. A railroad car is capital, because it facilitates the interchange of commodities and thereby aids those engaged in producing the necessaries and comforts of life. As rapid transmission of information is a potent auxiliary of fruitful industry, the telegraph is capital. Money is capital, because money is used as a representative, and as a storehouse of labor; and because money makes it easier for mankind to exchange labor and the products of labor than it would be by barter. Money facilitates the creation of wealth by acting as a distributing agent.

SIMILARITY BETWEEN MONEY AND BLOOD.

The function of an animal's blood is to carry and bring materials of various kinds to and from all parts of the organism. Money performs a similar duty for the body of society that blood does for the body of an animal. Blood associates each part of an organism with every other part, and thus renders it possible to divide the labor and functions necessary for maintaining life among different organs remote from each other. Money performs a similar duty for society; it makes it easier for mankind to associate together, and to divide the multitude of labors requisite to maintain society in that high state of perfection which gives each man, while performing a single special duty, benefit from the great variety of different duties performed by other individuals. Money is the life-blood of commerce. In an advanced stage of society, it is the most useful of all forms of capital, because it is the medium which brings the various kinds of capital in relation and association with each other, and with labor, and thus enables them to mutually help each other.

MONEY HELPS PRODUCTION WITHOUT FORMING PART OF PRODUCTS.

The aforesaid writer tells us that money "has no direct agency in production and does not enter as a constituent

part into the products of industry." This is true, but does not in the slightest degree prove that money is not capital. No one will deny that a railroad and its equipments running through the middle of a fertile and populous agricultural district are capital. The railway cars have no "direct agency" in production,—they neither plow nor reap. Furthermore, the cars and engines are not wrought into "constituent parts of any of the products" of industry. The function of the railroad is distribution. It carries *to* the farmers the various things they need to cultivate their farms, and to supply the wants of themselves and families. It carries *from* the farmers the surplus products of their farms, and takes them to their destination,—the consumers of those products. The railroad thus helps the distant workers in the factory and the forge; and the farmers of lands in another climate producing different products, to hold commercial intercourse with the farmers adjacent to its depots. A railroad is capital because it helps labor to associate with labor, and capital to associate both with labor and with other forms of capital. Money is capital for the same reasons that a railroad is.

NO KIND OF CAPITAL PRODUCES WITHOUT LABOR.

The above author further says: "Money of itself produces nothing." But does this prove that money is not capital? Plows of themselves produce nothing. They are utterly useless unless associated with labor and other forms of capital. Nevertheless, no one will deny that plows are capital of a very useful kind,—they help labor produce wealth. What is true of plows is true of all other kinds of capital; they create and produce nothing of themselves. Their usefulness begins only when associated either with labor, or with both labor and other kinds of capital.

MANY KINDS OF CAPITAL HAVE SPECIAL FUNCTIONS.

Our author admits that money in a "qualified sense" is capital. He thinks money is capital only in the sense that it can be exchanged for capital, and thus performs only a

special function. But this fact makes money capital in all senses of the word. Many kinds and forms of capital have special functions and duties. A threshing machine is good for nothing whatever but to thresh grain. A reaper is good for nothing but to cut grain. A wagon is good for nothing except as a machine to facilitate the transportation of various things. But no one will deny that threshing machines, reapers and wagons are capital. What is true of them is true of every other form and kind of capital. The range of use to which different kinds of capital can be put varies, but all are controlled by the same principle; limitation to helping labor perform special duties.

ALL HOARDED THINGS ARE USELESS WHEN HOARDED.

The aforesaid teacher also tells us that "for the purpose of hoarding without reference to use," money is useless. This he appears to think conclusive evidence that money is not capital.

But is not this true of all other forms of capital? A carpenter's tools are capital. But if stored away in the garret, without reference to use, they are useless. So long as stored, they are not a help to labor, and are of no more value than so many chips. The machinery of a factory is capital. But if taken down and stored "without reference to use," it is useless. Similar things are true of all other forms of capital. So long as hoarded and idle, they are practically destroyed and useless. What use would any tool or machine be, if "stored without reference to use"?

It has been said that "if money be capital, and if money can be made of paper, or other cheap materials, that an unlimited issue of paper money would create an unlimited amount of capital, and thereby enrich the nation doing so. Whereas history shows the contrary to be true."

A USELESS THING IS NOT CAPITAL.

The aforesaid argument is the offspring of ignorance of the nature of value and how it is created. A barn is capital to a farmer,—it helps his labors in storing crops and shelter-

ing cattle. But because two or three barns are capital, it by no means follows that an unlimited number of barns would be. They would merely encumber the ground, and until removed would injure the farm. A similar thing is true of all other farming capital. Of what use would a dozen threshing machines be to a man who only needed one? The additional eleven machines would not add to the farmer's capital, simply because they would not facilitate his labors. A thing is of no value unless it supplies a want. Its value therefore depends upon the conditions under which it is placed. Nothing is capital unless it supplies a want of labor, or of other capital, and thereby assists either the production or exchange of valuable things.

When a community is supplied with a sufficient amount of capital in form of paper money, an addition to the amount of that money would not add to their capital. This would be so, for precisely the same reason that would make an additional ice house of no value to a man who already had one, and needed no more.

A queer man in my neighborhood once made and used a wagon with five wheels. But his methods of thought were no more absurd than the methods of those who argue that, because one certain thing is capital, possession of an unlimited number of those things would necessarily increase the capital of their owner.

Most of the foregoing mistakes are due to the prevalent idea that money has mysterious qualities. A man who recognized clearly the simple fact that money is governed by precisely the same laws that govern all other things, would never imbibe the error of supposing that money is not capital, in the fullest sense of the term.

WHEN MONEY IS USED.

We have heretofore seen that in a simple state of society, and under some circumstances, labor can associate with labor, and capital can associate both with labor and with other forms of capital, by means of barter. As society advances, its labors are more and more divided among differ-

ent persons, each performing a single special duty. This renders commercial intercourse between the different members and portions of society more difficult and expensive, if carried on by means of barter. Money has been invented to remedy this difficulty? By its use, the citizens of a populous country, engaged in a great diversity of occupations and inhabiting a large area of territory, can associate commercially with each other as freely as the residents of a small area can by barter.

THE TRUE TEST OF MONEY.

The excellence of the quality of money is properly measured by the same test we apply to any other form of capital created to perform a special duty; viz., the efficiency and cheapness with which it performs its work. A set of harness made of plain good leather is capital. Its value, as capital, to its user would not be any greater if it were plated with gold or silver. As heretofore shown, mankind have steadily improved the excellence of their money, until exchanges by its use can generally be made cheaper than by barter. It follows that when a people have largely outgrown barter as a means of industrial and commercial intercourse, and as a means of associating the various forms of labor and capital, that the labor of that country is then dependent on the thing which has taken the place of barter; viz., money, the capital whose chief function is the association of labor and capital. Moreover, as capital is useless unless associated with labor, it also follows that the disuse of barter makes all the other forms of capital in a country largely dependent on the form of capital we call money.

CONTROL OF MONEY IS CONTROL OF LABOR.

Therefore, whatever class controls the money of a country controls both the capital and the labor of that country to a large extent. Those who control the money of a country are in a position similar to that of a person with control of the blood-vessels supplying an animal's system with the

means of associating its different parts and organs with each other.

The fact has been partially brought to public attention that when a few men control the railroads of a country they largely control the means of communication, and, consequently, the commerce and industry of that country. By an apparently slight addition to either freight or fare, they can levy an enormous tribute from the nation. They can thus diminish the profits of other forms of capital, and the wages of labor, by a general tax on all property and persons transported; and this tax will be more or less distributed until it reaches every self-supporting person in the land.

But railroad control is of little influence in a country, compared with the tremendous power incident to the control of the money of a country. Such a control means that the facilities for the association of all the labor of that country, both with itself and with various forms of capital, are largely in the hands of those who govern the capital called money. Such a power is the more dangerous, because it can be so insidiously exerted that the great majority of its victims do not know the real source of their troubles, and are prone to attribute them to things which have no influence whatever.

Large numbers of workmen have engaged in strikes against low wages, supposing them due to the tyranny of employers, when, in fact, their employers had been made helpless by those who controlled their chief means of commercial intercourse and association. They have acted as men frequently do when pressed in a crowd. Instead of reflecting that those who push, do so because they are crowded by others, they grow angry and strike persons who are helplessly jostled against them.

HOW MONEY MAY BE CONTROLLED.

There are four principal means of controlling the money of a country. First. By increasing its amount. This can be done by diminishing the weight and fineness of coins, or by the issue of paper money. Second. By diminishing

its amount. This can be done by increasing the weight of coins; by diminishing the number of legal tenders, as has been done by demonetizing silver, or by diminishing the amount of paper money. Third. By changes in the rate of interest. Fourth. By hoarding the money in existence, thus practically, for the time being, diminishing its amount as effectually as if the money were destroyed.

WHO SHOULD CONTROL THE AMOUNT OF MONEY.

Two opposing ideas exist in regard to the proper method of controlling the money of a country. One class of persons say that the people are competent to make national and State constitutions; to make civil laws of all kinds; to direct how men shall deal with each other; how contracts shall be enforced; how laws shall be administered; how the sexes shall marry and be divorced; how property shall be taxed, held, and divided; and how orphans and widows shall be protected. Most of this class regard the idea that there should be a union of church and State as a relic of barbarism. They believe the people are capable of regulating their moral and religious conduct for themselves without being governed by an oligarchy of priests. They also admit that the people are competent to make and execute criminal laws; that it is safe to entrust them with power to declare when a man shall have liberty; when he shall be put in prison, and when he shall be hung.

But although they concede all these things, they hold that the people who use and are dependent on the money of a country as a means of associating labor and capital, and as a potent help in distributing wealth, should not have the control of that money.

This class holds that the amount of metallic money in a country should be controlled by the rich men of that country; that whenever there is a probability that increased production of mines shall result in such an increased amount of coin as to raise the wages of labor and the prices of the products of labor, that the Legislature should interfere. The character of this interference, they

hold, should consist of demonetizing one or other of the legal-tender metals; or of increasing the weight of the coins, the extent of this to be decided by the money-lenders.

This class further propose that all the paper money of a country should be issued and controlled by an oligarchy, and that the yearly salary of these officials, in the aggregate, shall be from twenty to forty millions of dollars. This oligarchy to have power to contract or inflate the currency, and to raise or lower its rate of interest, at will. In other words, they are to be legally invested with power to regulate the association of labor and capital, and to raise or lower the prices of all the commodities, real estate and labor of the country in such manner as may seem judicious to their minds and most likely to increase their own wealth.

These officers are to be styled NATIONAL BANKERS, and their salaries collected and paid with the interest on debts, in the form of promissory notes, issued by themselves.

The foregoing ideas are essentially those which recently have largely controlled the policy of this country. On their side are arrayed the majority of the capitalists; and, as a sequence, the greater portion of the politicians and newspapers.

THE TRUE DOCTRINE.

The *other idea* is that the people are competent to make laws of all kinds; civil, criminal, religious and financial; that the people are the best guardians of their own interest; and that it is wiser, safer, and cheaper to trust the people to issue money than it is to put their rights into the hands of an oligarchy whose selfish interests are often opposed to the interests of the masses.

The masses of the people formerly had no voice in making laws of any kind. Their property, liberty and lives were at the mercy of a monarch, or of an oligarchy. For centuries the people have been slowly assuming their right of self-government. Although the idea that all power

rests rightfully in the hands of the people is the corner-stone of American institutions, we have retained the monarchical principle that the people are unfit to take care of themselves financially and must be controlled by a small class.

The selfish interests of a few rich men are frequently apparently advanced by great fluctuations in the value of the national money; whereas, the interests of the majority of the people are promoted by securing the greatest possible stability in the value of the currency.

JEFFERSONIAN DEMOCRACY.

Those who fully believe in genuine Democracy ask that the principle of self-government be carried to its logical conclusion; that we take one step more in the direction in which the race has been progressing; that as the people have taken control of civil and criminal legislation, taxation, religion, and education, they should also control the finances entirely; and that the intelligence of the WHOLE PEOPLE is greater and more trustworthy than that of a few bankers.

These persons therefore desire: First. That the established standards of coinage should not be tampered with in the interest of a few, either by raising or lowering the weight or fineness of coins, or by demonetizing either of the precious metals.

Second. That the issue of paper money should be taken entirely away from the banks, and be so regulated in amount as to produce the greatest possible stability in its value.

A train of cars can gradually run up and down a chain of mountains with safety, while an abrupt change of a few feet in the grade would produce an utter wreck. Business can adjust itself to new conditions with little industrial disturbance, provided the changes are made very gradually. As business is so largely dependent on the capital called money, all financial changes should be begun only after the fullest debate and the widest possible publicity. Even then, they should be proceeded with very slowly and cau-

tiously. As large bodies move much more slowly than small ones, rash changes in the national money are much less liable to occur by the act of the whole nation than by the act of a small class. The demonetization of silver, and several other bad measures, could never have been carried out if full publicity had been given them.

A CONSERVATIVE MEASURE.

True conservatism bids us place the regulation of money in what experience shows is the safest repository of all other power: *i. e.*, in the hands of the people. It was formerly imagined unsafe to have judges elected by universal suffrage; but extended experience has shown that to be the safest mode of securing an upright and able judiciary. If the people be unfit to control their financial affairs they are surely unfit to control their religious affairs, and we need a State religion controlled by a few men. If the people should not assume full control over everything, then we should logically restrict suffrage, and take one right after another from them until we reached a government akin to that of King John before the Barons threatened him at Runnymede.

CHAPTER XI.

Effect of Changes in the Amount of Money.—What a Dollar is.—Why Prices fall to such an Extent when the Coinage is Contracted.—How we state the Value of a Dollar.—Effect of Habit on Ideas of the Value of a Dollar.—Dollars and Bushels are Governed alike.—How Monopoly can Change Prices.—Monopoly can Change the Value of a Dollar.—Monopolies in California.—Money Kings wish to Corner Money.—Creditors can be robbed by Inflating the Currency.—History of Inflations.—Paper Money is not Helped by What is "back of it."—Inflation is possible without Issuing Paper Money.—Paper Money Inflation a Pretext for Crime.—Not a Fancy Sketch.—Sudden Changes in the Currency Paralyze Business.—Why Money is hoarded when Prices are falling.—The true Test of the Cheapness of Money.—Difference between Temporary Possession of Money and Ownership of it.—A Mistake in Diagnosis.—A Typical Writer.—Lack of Confidence in Prices is the Reason Men hoard Money.—Effect of slow Changes in the Amount of Money.—What we should seek.

The chief distinction between Wealth and Poverty is that rent and interest are paid by the poor and received by the rich. Contraction of the amount of money insidiously increases the tribute paid by labor to capital.

We have heretofore found that ordinary commercial transactions are carried on by the use of an imaginary money,—the money of account; the terms in which values are compared, computed and recorded. We have also found that this imaginary money has a variety of representatives in form of coins and paper money. Furthermore, we have learned that from habit and experience, the residents of each country have continually, and largely unconsciously, in mind an idea of the value of the unit of the money of account. Having this in mind, they readily compare and compute values without direct reference to the current money, the particular representative of the money of account, which may chance to be in actual use. We

will now more fully inquire how the value of this unit of the money of account first becomes established in the public mind, and how this idea of value may be changed by influences which affect the current money. We have heretofore seen that all values are compared and computed by a numerical method. We start with one dollar, one pound, one franc, or from some similar standpoint; but our comparisons are always with the unit, ONE. Once having in mind the value of this unit, it is readily multiplied and divided, and thus all amounts of value are estimated and stated. Our inquiry therefore is complete, when we find how the value of the unit of all moneys of account is first obtained, and how this idea of value may be changed.

WHAT A DOLLAR IS.

As the principle is the same in all moneys of account, for convenience we will confine ourselves to a study of the "dollar," how we first get an idea of the value of a dollar and how this idea may be changed.

A dollar is an unit of value. Value is a mental conception—a judgment, or estimate, of the *relative* amount of labor or sacrifice which a given thing is worth. We use the term "dollars" in stating this idea, as a means of making ourselves understood by others, just as we use the figures 1, 2, 3, as a help in conveying our ideas in regard to numbers. A given number of "dollars" represents an idea of value similar to the manner that certain letters represent an idea of sound, or certain figures represent an idea of quantity.

Much has been lately said about "80-cent dollars," "90-cent dollars," etc. This is merely a loose way of stating loose ideas. The cent is not the unit of value—it is simply one hundredth part of a dollar. Therefore every "dollar," no matter what its real value, contains just one hundred cents.

Money derives value from the fact that its use is not only always convenient, but almost absolutely necessary to carry on the extended and intricate commerce of modern

times. It is the form of capital by whose intervention all other kinds of capital are brought in relation and intercourse with each other. It is the medium through which the association of labor and capital is chiefly conducted.

The value of *one* dollar depends on its *relative* importance in commercial transactions just as the military importance of one soldier depends on his relation to the whole force. One soldier is of considerable consequence in a squad of ten men but of very little importance as one of an army of fifty thousand. In one case, he forms ten per cent. of the whole force; in the other case he is only one fifty thousandth part of the army. What a single dollar shall be worth is determined by the total number of dollars in circulation.

The greater the number of dollars, the smaller the relative importance of each dollar. The relative importance, and therefore the value, of ONE DOLLAR is governed by the same law that governs the relative importance and value of any other ONE THING. The dollar is the unit of value and the worth of this unit depends on the relation which exists between the total value of the exchanges daily effected by its use, and the total number of these units in circulation. For example, if seven hundred millions of units be in circulation in a country like Peru or Chili, each unit will have a less value than it would if seven hundred million of units were in circulation in a great, rich nation like the United States. If a hundred million units be in circulation, a man with a million dollars has one per cent. of the money in the country; increase the amount of circulation to a thousand millions and a man with a million will then have one-tenth of one per cent. of all the money, and his ability to purchase property will be correspondingly decreased.

When Paris was surrounded by the German army, the idea of value previously attached to each barrel of meat and flour was increased. The demand for food was substantially unchanged, but the number of barrels of food was daily growing smaller. Hence each barrel steadily became of greater relative importance, simply because the

relation between the number of barrels and the demand therefor was steadily changing. The total number of barrels, therefore determined the importance and value of one barrel.

When a considerable portion of the grain crop of a country is destroyed, each bushel of the remainder becomes more valuable. This is so, for precisely the same reason that each dollar remaining in a country, becomes more valuable by a partial destruction of the dollars in that country. In one case, the NUMBER of bushels is lessened. In the other case, the NUMBER of dollars is lessened. Each remaining "bushel" has been raised in value because the NUMBER of those bushels has been diminished. Each remaining "dollar" has been raised in value because the NUMBER of those dollars has been diminished.

If the number of dollars in circulation be reduced from one hundred millions to fifty millions, a man with one million dollars, instead of having one per cent. of all the money in the country (as he would have when a hundred millions were in circulation), would have two per cent. of it. But the difference between one and two per cent. would not be a correct index of the amount of property which a million dollars would then buy.

WHY PRICES FALL TO SUCH AN EXTENT WHEN THE CURRENCY IS CONTRACTED.

The value of all the money in a country is always only a small percentage of the value of all the other property in that country. A trifling change in the short arm of a steelyard causes a considerable movement in the long arm. Money may, therefore, be fitly compared to the short arm of a steelyard, and all other property to the long arm. A slight change in the amount of money makes a very decided change in the amount of property that can be bought with it. In 1872, the premium on gold in this country was about ten per cent. Most of our "statesmen" and "scientific financiers" thought that an immediate ten per cent. contraction of the currency would only make a difference of

ten per cent. in the amount of property which a given amount of dollars would buy; but events showed that the fall in prices was far more than that.

HOW WE STATE THE VALUE OF A DOLLAR.

We state our ideas of the value of a dollar by what we call "prices." That is, the price of a thing is our idea of its relative value as compared with a dollar.

When there are one hundred millions of dollars in circulation, a man who puts a price of one hundred dollars on his horse thereby really (but usually unconsciously) says: "I will sell my horse for one millionth part of the money in the country." Diminish the circulation in the same country to ten millions of dollars and it would then require an enormously more valuable horse than in the aforesaid supposed case, to bring a hundred dollars, as that sum would then be one hundred-thousandth part of all the money in the country.

The average scale of prices in a country represents the average judgment of the community in regard to the *relative* value of commodities and money, just as the above supposed price of a horse does that of its owner. These results are usually reached by daily and insensible changes in the judgment of individuals with regard to prices, and not by a conscious analysis of the subject.

During the late war an acquaintance in Alabama sold a little steer for twenty-five hundred dollars. The price was apparently high, but not so in reality. It was merely the judgment of both seller and buyer in regard to the relation which then existed between the value of the steer and the fraction of all the money in the Confederacy which twenty-five hundred represented. The money of the Confederacy had been so increased in amount that a larger number of dollars were required to represent the proportion which the value of the steer bore to the money. Therefore, prices are the estimate of mankind of the relative value of one thing to another, as compared with money. The term "price" is ordinarily employed to denote the amount of

value possessed by a given thing expressed in terms of money. Thus, when we say, "Wheat is worth two dollars a bushel," two dollars is the "price" of a bushel of wheat. But while we constantly use language in such way as to imply that the value of the thing to which we affix "a price" is the sole fact we wish to determine, in reality, we put a price on the money just as much as we do on whatever we "price." When we say "corn is worth half a dollar per bushel," we virtually say that the price of a dollar is two bushels of corn.

The average scale of prices, or, what is called the "market price," represents the average judgment of the community in regard to this relation. This dominant opinion is the result of daily interchange of thought between the various members of society and of the incessant bantering and bargaining between sellers and buyers. The market prices are fixed, and change in men's minds without their usually being conscious of the sources of their opinions.

EFFECT OF HABIT ON IDEAS OF THE VALUE OF A DOLLAR.

When the money of a country for a considerable number of years has remained at a nearly uniform volume, prices tend to become established, and all debts and contracts are made with reference to the prevailing prices. To state the same fact in another way, by long habit the value of the dollar, the unit of the money of account, becomes so fixed in the public mind that we estimate a given number of "dollars" with little reference to the actual thing which represents them. After this idea of the value of the unit of the money of account is once fixed in the mind of a nation, it requires a considerable time and striking events to dislodge it. However, when current money is rapidly and largely increased in amount, the money of account slowly but finally changes to meet the altered condition. But the former ideal money of account is reinstated in public opinion soon after the accidental conditions which changed it are removed.

Thus from 1789 to 1796, the currency of France was

enormously inflated by issues of paper money. These issues were so large in amount that prices rose to one, two, and three hundred times their original sum. Prices rose so rapidly that people's ideas of value, stated in money, were mere guesses. It seemed as if the money of account had been utterly destroyed by this carnival of folly. But after the inflated paper money had all been wiped out by repudiation, it was seen that the money of account had survived the storm. The community immediately began to resume trade with the old money of account.

A similar thing occurred in the Southern States during the late war. When a pair of boots cost three or four hundred dollars, it seemed as if all previous ideas of the value of the dollar had been obliterated. But immediately after the close of the war, the money of account re-asserted itself.

In a reverse manner from that aforesaid, the money of account may be changed by a diminution of the amount of money in circulation. This has been going on for over ten years in Europe. The money of account in the various nations of that continent had been slowly formed from the average public judgment of values predicated on the use of both gold and silver as legal-tender metals. But since the demonetization of silver, the meaning of the terms, one franc, one mark, etc., affixed to the different monetary units, has been slowly changing. Hence a growing change in the money of account. But the ancient money of account will assert itself whenever silver is restored to its former rightful position, and the necessary increase made in the amount of paper money.

DOLLARS AND BUSHELS ARE GOVERNED ALIKE.

A widely spread feeling exists that the value of money changes in such a mysterious way that no one can either predict what effect a given policy will produce, or explain events after they have occurred. But in fact the value of a dollar, *no matter of what material it is composed*, is determined by precisely the same principles that give value to

a bushel of wheat, a bushel of potatoes, or other valuable things.

The value of a bushel of wheat depends entirely on the conditions in which it is placed. Chief of these conditions is the number of bushels for sale at a free market price, relative to the need and demand for those bushels. It is not the number of bushels in *existence* which decides the value of one bushel; so long as the existing wheat can be hoarded and kept out of market, for the time, it is practically destroyed.

HOW MONOPOLY CAN CHANGE PRICES.

The great speculative operations which have taken place during recent years in wheat, pork and other commodities have been based on the fact that whoever can control and keep from market, at will, a sufficient proportion of all, or, a very considerable part of a given thing, which exists in the world, thereby acquires, to a large extent, the power to change the value and the price of that thing. The success of such an operation depends chiefly on the completeness with which a given thing is thus monopolized, the length of time the hold can be maintained, and on the extent to which other things can come into use as substitutes for the thing withheld from market.

MONOPOLY CAN CHANGE THE VALUE OF A DOLLAR.

The value of "one dollar" depends on similar facts and similar principles to those which give value to bushels of wheat or barrels of pork. Other things being equal, its value is increased whenever the number of dollars for sale is diminished; its value is diminished whenever the number of dollars is increased. Combinations can be made to keep dollars from sale, just as combinations can be made to keep wheat, or other things from sale.

Such combinations are made easier and more likely to succeed by the same causes which render "corners" in other things more easily successful; viz., a diminution in the number of dollars, a diminution of the sources from

which they can be obtained, and a diminution of the number of persons who possess and control those dollars.

MONOPOLIES IN CALIFORNIA.

Before the construction of the Pacific railroads, California was isolated from the sources from which many of the necessaries used by her population were derived. Consequently that State was famous for creating "corners" in various things. One man would buy all the bacon in the State and contract for all in transit thereto. He would then advance the price of bacon and make a fortune before the people could obtain supplies from another source.

Another man would buy all the sugar; another would control all the coffee, and another would buy all the spices in the State. In this way the people of the State were plundered by monopolies rendered possible by the conditions under which that State was then placed. The opening of the railroads has put an end to the facility of these speculations. New supplies can more readily take the place of those withheld from market by speculators.

MONEY KINGS WISH TO CORNER MONEY.

California thus affords an explanation of the desire of the money kings of the world to limit the legal tender which the people must use. By restricting it to gold, and by placing the issue of paper money in the hands of a few bankers, it is made far easier for a combination of rich men to make a "corner" in dollars whenever they choose. With the mints open freely to both gold and silver, and the control of paper money taken out of the hands of the bankers, the people would then be as much safer from an injurious hoarding of money, compared with the present, as the people of California are now safer than formerly from the hoarding of articles of food.

CREDITORS CAN BE ROBBED BY INFLATING THE CURRENCY.

Let us now by examples show some of the practical effects of making great changes in the amount of money in circulation. In 1860 A buys a farm in Georgia for $10,000. He pays $2000 down, and gives his note for $8000, secured by mortgage on the farm. The average price of wheat for several years has been $1.25 per bushel. The price of other things being in proportion to that of wheat. Said mortgage, therefore, at the time of sale of the farm, represents the value of 6400 bushels of wheat. War breaks out and an enormous issue of paper money takes place. The price of wheat rises to $25 per bushel. The mortgage then represents the value of 320 bushels of wheat. The owner of the farm can then pay the mortgage with 320 bushels of wheat. By the trick of inflating the currency, the seller of the farm has been robbed of the value of 6080 bushels of wheat.

HISTORY OF INFLATIONS.

The history of all unlimited issues of paper money is similar to the story told in the foregoing example: viz., an enormous rise in prices; robbery of creditors and derangement of industry. The history of our Continental currency during the Revolutionary War with England is substantially a history of all excessive issues of paper money. It remained at par with coin, until about nine million dollars had been put in circulation; it then gradually depreciated with the issue of each successive and additional million until it finally became almost worthless. The unsuccessful attempts to use a public debt as currency all owe their failure to one cause, viz.: *The amount of debt put in circulation as money was not limited to the actual needs of trade, on the basis of the existing scale of prices.*

The trade of a given nation, or community, daily transfers from one person to another a certain amount of labor and commodities. This transfer is more conveniently accomplished by the use of a certain volume of value in the

form which we call "money." *No matter of what material this money be composed,—no matter whether it be convertible into coin or not, so long as its volume does not exceed the quantity requisite for the convenient exchange of this value, it will perform all its functions without depreciation.*

PAPER MONEY IS NOT HELPED BY WHAT IS "BACK OF IT."

The idea that paper money derives its value from what there is "back of it" is a mistake. Paper money does not need anything "back of it" any more than a half bushel measure needs something back of it. It simply needs to be limited to the amount needed to carry on business. Further than that, "something back of it" is of no effect whatever. It makes no difference what guarantees of its payment may exist, nor how much wealth may be pledged behind it, whenever more money is permanently put in circulation than is requisite to conveniently effect the exchanges of a certain locality, such money begins to depreciate;—it generally remains nominally at par, its decline in value being shown by the rise in the price of commodities stated in such money.

The idea that an unlimited issue of paper money can be safely made, if an equal or greater amount of property be pledged for its payment, is essentially the error which led France to issue assignats during the French Revolution.

This notion has arisen from the idea that paper money is good only when it is "redeemed" in coin. Redemption of paper money in coin adds to its value *only so far as it limits its amount.* Aside from that one purpose, it is as useless to "redeem" a paper dollar as it would be to redeem a gold dollar; or to "redeem" a peck measure, or a yardstick. The efficiency of all schemes for the so-called "redemption" of paper money is determined solely by the degree in which they maintain a uniform relative amount of paper money in circulation.

It has been asked: If unlimited paper money produce such disasters, is not paper money more dangerous than metallic money? Yes; for the same reason that a locomo-

tive engine, unless in intelligent hands, is more dangerous than an ox team. The more powerful and efficient the agent, the more need of careful management. An "unlimited" horse runs away and does damage to the carriage and its occupants. "Unlimited" fire burns cities; "unlimited" steam explodes boilers; gunpowder will ignite and tear us in pieces—in fact, every useful agent or power is only useful when intelligently used. If we cease to employ things because, if not regulated, they would inflict injury, we should at once discard steam, electricity, fire, water, and, in short, almost everything which helps to make civilization. We should return to primitive barbarism.

INFLATION IS POSSIBLE WITHOUT ISSUING PAPER MONEY.

Furthermore, there is nothing in the Constitution which prevents Congress from enormously inflating our gold and silver coins. It could be done by enacting a law that a ten-dollar gold piece should contain only fifty grains of standard gold instead of two hundred and fifty-eight grains as at present. This always must be so, because the power to declare what shall be a legal tender is an attribute of sovereignty, and must be lodged with the national legislature. It cannot be destroyed without destruction of the independence and sovereign power of the nation.

Inflation to-day is not prevented by law, nor by the use of metallic currency, but by the people having been educated to abhor a change in the currency which robs one class for the benefit of another. Public intelligence and publicity of all proposed changes in the volume of money are the best safeguards against inflation.

PAPER MONEY INFLATION A PRETEXT FOR CRIME.

The fact that unlimited issues of paper money have inflicted injuries on society in the past, has been used as a pretext to justify crimes on the community in a direction the opposite of inflation. A sketch of the practical operation of one of these acts on a single individual will illustrate their effect on a large portion of the community.

In 1872, B buys a farm in Pennsylvania for $10,000. In payment, he gives $2500 in cash and his note for $7500, secured by mortgage on the farm. Wheat in that vicinity has for several years been worth an average of $1.50 per bushel. The price of other articles in proportion to that of wheat. The debt of B thus represents 5000 bushels of wheat, or a proportional amount of other produce.

In 1873 silver was demonetized. There was no petition for such an act, either by the people or by representative bodies. The voters never assented to it—it was never made a portion of a political platform. The whole affair was managed so quietly that very few persons knew anything about it until months after it had been done. It was not generally known until public distress led to inquiries as to the cause of hard times.

The currency is thus contracted and prices fall. Gold is the sole metallic legal tender, and the demand therefor and its value are thereby increased. Taxes and interest are unchanged but the price of wheat goes steadily down from year to year until it reaches ninety cents a bushel.

When B first got his farm he could pay the yearly interest on his debt with 300 bushels of wheat. It now requires 500 bushels to pay the interest. The whole debt could originally be paid with 5000 bushels of wheat,—but now it would require about 8383 bushels of wheat to pay it. Other produce has fallen in price as much as wheat, and B finds himself unable to pay the interest on the mortgage.

B then tries to sell his farm, but finds that land has fallen in price so that no one is willing to pay the mortgage for the farm. B then goes to his creditor and offers to return the farm in payment of his debt, thus sinking the $2500 paid down. But the creditor refuses to accede to B's request. Finally the creditor forecloses the mortgage, gets back the farm, and, from an action on B's note, takes all his cattle and farming utensils which the law will allow him. Thus, B has lost several years' labor, many valuable improvements made on the farm, the $2500 and most of his cattle and tools.

While this cheerful process has been going on, B has read in his newspaper that the hard times were caused by the Suez Canal, the Bankruptcy Act and over production :—that we have grown so rich as to make hard times, and that a few rascals wanted to have silver coined.

NOT A FANCY SKETCH.

That the foregoing example is not a mere fancy sketch many thousands of persons know from bitter experience. A vast number of persons have been reduced to poverty. Another multitude have spent the best years of their lives in industry and economy, without being able to pay anything more on the mortgages on their homes than the increased burden of interest thrown upon them by contraction of the currency.

SUDDEN CHANGES IN THE CURRENCY PARALYZE BUSINESS.

When the currency is undergoing either rapid and great inflation, or is undergoing rapid contraction, industry is paralyzed. The principle which produces this industrial prostration is identical in both said cases; viz., the capital, called money, whose function is to associate capital and labor, is deranged. The distribution of wealth is retarded.

But the immediate source of trouble is precisely opposite in one case from the other. When inflation is going on so that no one knows if he sells goods to-day how much he will have to pay to replace them to-morrow,—people *hoard their goods*. When contraction is going on so that no one knows if he buys goods to-day whether they will not be lower priced to-morrow, people *hoard their money*.

For the past few years, money has been hoarded simply because it was increasing in value. When prices are steadily falling, holders of money prefer to either hoard it, or loan it on call with ample security. This has led to the accumulation of large sums of money in our financial centers, and to its being loaned, on call, at one or two per cent. per annum. Thereupon it has been said: "While business is

depressed and prices low, there is an abundant supply of cheap money."

WHY MONEY IS HOARDED WHEN PRICES ARE FALLING.

The aforesaid talk about "cheap money" is a stumbling block over which many fall. But it is really a very simple matter. The fact that money can be borrowed at two per cent. per annum is no evidence whatever of the actual value of that money. The lender of money, on call, does not part with the ownership of the money,—he has not *sold* his money. He has merely sold the *temporary possession* of his money, and has taken what he deems ample security that the possession of the money shall be given back "on call."

THE TRUE TEST OF THE CHEAPNESS OF MONEY.

In order to ascertain whether money is "cheap," as alleged, the proper way is to go into the market and endeavor to buy money:—that is, try to exchange other property for money. The same persons who tell us money is "cheap," say that prices are low. This cannot be. When two different things are put in the opposite sides of evenly balanced scales, one side or the other must go down. One side is down and the other up. One side is low and the other high. When prices are down, money is up. When prices are up, money is down. Money is actually "cheap" when it is on sale at low prices—that is, *when its absolute ownership can be bought for a comparatively moderate amount of property or labor.* In such case what we call "prices" are high.

DIFFERENCE BETWEEN TEMPORARY POSSESSION OF MONEY AND OWNERSHIP OF IT.

The owners of money, when the currency is contracting, are in the condition of the owner of a vacant lot in the center of a rapidly growing town. The value of such a lot is steadily rising. Its owner cares little who may have the temporary occupation of it so long as its ownership remains in his hands. He may be willing to lease it for

three or five years at a very low rent, but this low rent does not prove that the lot is "cheap." It merely shows that its owner is so convinced that it will be worth more in the future than at present, that he prefers to temporarily dispose of its *possession* instead of at once selling its *ownership*.

Whenever the owners of money think it will be worth less in the future than at present, they make haste to sell their money; that is, as far as they can, they exchange it for other property which they think will rise in price. It has constantly been said that the large amount of idle money in New York was due to "fear of inflation." If such a fear actually existed, the owners of that money would immediately seek to protect themselves by investing in property less liable to be harmed by inflation than money.

The aforesaid considerations show that the hoarding of a large amount of idle money in New York and other financial centers is a symptom that money is dear and steadily growing dearer. Some of the owners of the capital called money, which should be employed in associating other capital with labor, and distributing the products, are lying in wait to see how much of previously created wealth they can obtain for their money. This conduct withdraws money from circulation just as effectually, for the time it is hoarded, as if it were destroyed. The contraction going on from other causes is thus intensified.

If our currency were still more contracted, it would appear more abundant and cheaper to the superficial observer than at present. Money would be rising in value faster than it now is. More money would then be lying idle, and the rate of interest on call loans would be lower than at present. When the purchasing power, and therefore the actual value of money is increasing at the rate of ten per cent. per annum, whoever borrows money to be repaid one year thereafter, must return to the creditor, not only whatever interest he agreed to pay, but a principal more valuable by ten per cent. than was originally borrowed. Consequently, if the currency is being contracted

enough, no one expecting to repay it would borrow money, even without any interest whatever. This would be so, because the rise in the value of the money would be more than the borrower could reasonably expect to make as profits out of the business in which the borrowed money was used.

A MISTAKE IN DIAGNOSIS.

The phenomena which are indicative of a contracted currency, have been mistaken by those who "profess" a scientific knowledge of money for evidence of inflation. These persons and their followers have increased their clamor for further contraction just in proportion as the trade centers have become congested, the interest on call loans lower, and business and prices more depressed.

When medical men were more ignorant than at present, many diseases characterized by a full, bounding and rapid pulse were supposed to arise "from the patient having too much strength and too much blood." On this theory, bleeding was the proper remedy. In this way, vast numbers of persons have been brought at once "down to hard pan" beneath the sod. Physicians have slowly learned that such patients have neither too much strength nor too much blood. The circulating medium is unbalanced, and instead of opening veins and letting it out, they now take measures to restore its normal equilibrium and functions.

In like manner, financial doctors, ignorant of the facts and principles involved, have mistaken the congestion of the circulating medium, produced by contraction, for symptoms of too much money and too much wealth. In their minds, low prices and a great derangement and depression of industry indicate "inflation and overproduction." There is no doubt that inflation can produce great prostration of commerce and industry. But this derangement of business is always, and necessarily, accompanied with abnormally high prices. Whereas the paralysis caused by contraction is always attended with low prices.

Since contraction has been going on in this country it has

been repeatedly stated that multitudes of persons were made bankrupt because fear of inflation made capitalists refuse to help debtors with loans. Most bankrupts became such, not because they could not borrow more, but because they had already borrowed too much. They did not need more "borrowed money,"—they needed more money of their own. They needed to be able to sell their goods, or their property, at a fair price; inability to do that, caused their failure. They were forced to exchange their goods for money dearer than the money with which those goods were bought.

A TYPICAL WRITER.

As a specimen of the prevalent ignorance on this topic, the following quotation is made from the *Christian Union* of Feb. 4, 1886. The *Union* is one of the so-called religious papers which steadily advocates the dominant ideas of Wall Street.

"The gradual approach of Congress to the discussion of the silver question is felt and expressed in the reluctance of business men and capitalists to enter into any new or larger enterprises until the policy of the Government with respect to silver has become settled. The various projects offered in Congress illustrate the feeling that something must be done, if possible, to ease the burden which the radical silver men insist shall continue to be borne; *i. e.*, a continuance of coinage of standard silver dollars. It is hoped that among these projects something will be found that can lighten the great cloud which otherwise will continue to overshadow the country. Confidence, it would seem, is ready to assert itself, but the utter doubt as to the issue of the growing agitation of the silver coinage question acts as a paralysis and holds all of our wealth-producing sources in absolute check. For this reason we find our banks again accumulating idle capital. At the close of last week there was a surplus reserve of over $35,000,000 in the New York City banks, representing just so much distrust or doubt. This idle reserve is growing from week to week so that the money market rules about one and a half per cent. for money on call at the Exchange."

The editor of the *Union* seeks to persuade his readers that the amount of idle money constantly increases because its owners believe the coinage of silver dollars will not be

stopped. He says: "Confidence is ready to assert itself." We ask: Confidence in what? What feeling is it that induces men to prefer lending money at one and a half per cent. on call instead of investing it in business enterprises?

The moment we drop visionary theories and use our common sense, the answer to the above questions is obvious. The owners of the aforesaid idle money are guided by the same principles which influence the majority of other property owners. That is, they use their property in the way which they think will yield the greatest profit. Their conduct shows that they think it more profitable to keep their money under constant control than it would be to invest it in real estate, buildings, machinery, commodities, or any other form of wealth. So much, no one will deny.

The next question is: Why do they think as they evidently do? The *Union* imagines the owners of this idle money do not invest it in productive industry because they fear silver will continue to be coined, and the prices of machinery, buildings and goods consequently rise. Just think of this proposition one minute. Do men refuse to invest in things which they think will soon command a higher price? Is it not perfectly certain that, like all other persons, the owners of this idle money are ready to make a profit? Is it not also certain, that these men would at once invest in productive business, if they expected a rise in the price of the property in which their money would be invested in such case?

LACK OF CONFIDENCE IN PRICES IS THE REASON MEN HOARD MONEY.

The editor of the *Union* would be right, if he completely reversed his ideas. Wealth is kept in form of money for the simple reason that there is want of confidence in the stability of prices. *There is fear that prices will go still lower.* There is a belief that money will rise in value and all other property fall in price. Whenever it is perfectly certain that the coinage of silver will be permanently con-

tinued, and the coined silver put in circulation by paper certificates, the owners of money will be guided by the same principles they are now. They will invest their property where it will bring the most profit; viz., they will change it from money into something they think will produce more income. Hoards of idle money will be replaced by money in active circulation, prices will rise and "better times" will appear.

EFFECT OF SLOW CHANGES IN THE AMOUNT OF MONEY.

The foregoing are the chief symptoms when either inflation or contraction occurs rapidly enough to be perceptible. But inflation and contraction of the currency often take place so slowly as to be imperceptible except by comparing prices separated by long periods of time. In the end, prices reach the same point, no matter whether the change in the amount of money be very slow or comparatively rapid. But the effects of the change of price are modified by the fact that, in such case, other conditions can partially adjust themselves to the change.

A rapid inflation of the money of a country is nearly as disastrous to the interests of that country as a rapid contraction of it. But when the increase in the amount of money takes place very slowly, many good results flow therefrom.

In society, organized as it mostly has been on the principle that each man should engage in competition for whatever wealth he can get, with comparatively little legal regulation of this struggle, the inevitable tendency is for wealth to accumulate in few hands. Some men have greater capacity than others to fairly get wealth. When this capability is united, as it frequently is, with cunning and unscrupulousness, the probabilities are greatly that such a person will obtain more wealth than is best for the rest of the community; at least, such is the tendency. A diminution in the amount of money intensifies this tendency, because the value of loans, when they fall due, is constantly greater than when the debt was incurred.

For example, a family with a hundred thousand dollars invested at six per cent. in 1809 could spend six thousand dollars every year, and find themselves in 1849 in possession of property as valuable as two hundred and forty-five thousand dollars were in 1809. This would be their reward for keeping out of business. If, during that time, there had been a gradual increase in the amount of money, and a consequent fall in its value, this family would find their income gradually diminished in purchasing power; they would see their industrious neighbors growing richer while they grew poorer, and this would impel them to educate their sons and daughters to habits of industry instead of lives of fashionable idleness. A slow rise in prices by increasing the reward of labor, and thus stimulating productive industry, tends to increase the wealth of a nation. It tends to keep men from retiring from business as soon as they would if they could convert their property into money, loan it, and feel that they were not only receiving interest thereon, but that the principal was growing more valuable. This retains valuable ability longer in the service of society, and prevents enterprises from falling into inexperienced hands, thus wasting both capital and labor. It is also a great incentive to industry on the part of young men—it makes it easier for them to rise from poverty to positions of wealth and honor.

It is sound public policy to have the wealth of the nation in many hands; to have the masses contented and interested in the preservation of order and in whatever measures tend to advance the common interests. If the friends of the English financial system succeed in their plans, the amount of money will slowly diminish, because the demonetization of silver will extend from one nation to another, until gold, except for small change, will be the sole legal tender throughout the world. This would tend to give an unfair advantage to capital, in the form of money, and to place the wealth of the world for the most part in comparatively few hands.

Whenever a large number of persons are poor, and with-

out hope of anything better, they have little interest in the public welfare, and easily become dangerous to society. Such persons feel, that no matter what occurs, *they* have little to lose.

WHAT WE SHOULD SEEK.

The ideal condition is to have the value of money uniform from generation to generation, and the covetousness of able men placed under wholesome legal restraints. The interests of the landlord and tenant, and of the lender and the borrower are not identical. The constant tendency of human selfishness is therefore to make RENT AND INTEREST the two chief forms by which capital lays labor under tribute, higher than absolute justice would sanction. The creation of a stable currency would be a long step toward an equitable regulation of rent and interest.

Uniformity in the value of money can only be obtained by making the dominant condition which gives value to money uniform. The NUMBERS of the unit of money, RELATIVE to the numbers of the units of all other valuable things, must be uniform. That is, an increased or a diminished production and exchange of wealth should be simultaneously accompanied with an increased or diminished production of the units of money. The numbers of "dollars" should perfectly reflect the aggregate numbers of all other commercial things. The production of money should keep even pace with the creation of all other products of labor.

CHAPTER XII.

Alleged Causes of Hard Times: The Real Causes are not usually Assigned.—Actions are more Trustworthy than Words.—No Lack of Confidence in Silver Dollars.—The Confidence Cry.—The Bankrupt Law did not make Hard Times.—Overproduction.—What Production is.—Tendency of Poverty.—Tramps.—Capacity to Labor is a form of Property.—The Farmers and Overproduction.—Who are Benefited by Falling Prices.—London and New York are the Chief Authors of the Cry "Overproduction."—A Temporary Cure of "Overproduction."—Great Changes in the Amount of Money in Circulation Destroy Wealth.—When a Thing has the Greatest Value.—What each Person should Possess.—Examples of Destruction of Value.—Report of an Embassy from China.

No matter how much distress among the laboring classes is caused by bad financial legislation, they seldom complain of fluctuating money; the actual source of their misfortune is not usually recognized.

During the years of business depression which have occurred since 1872, various things have been assigned as causes thereof. Some of these allegations, in all probability, were originally put in circulation by persons who knew better, for the express purpose of diverting the attention of the public from the real source of their troubles. But as they have been generally believed, some examination of them should be made.

The first allegation was: "The greenbacks make all the trouble. There is no confidence in the greenback. Destroy the greenbacks and the hard times will be over."

Human nature is unchanged. If men feared inflation, they would act as history shows us men have always acted whenever they lost confidence in the value of their money. They would at once seek to exchange the suspected money for something which they thought had more permanent value than the money itself. They would not eagerly seek possession of what they had no confidence in.

ACTIONS ARE MORE TRUSTWORTHY THAN WORDS.

Moneyed men have said they were afraid of inflation, but what a man says is of no account so long as his conduct shows that he does not believe it himself. Capitalists are mostly men who look out for their own interests pretty shrewdly. Personal property of all kinds and real estate were very low, when the cry, "No confidence in greenbacks," was at its height. If there had been fear of inflation, capitalists would have bought land or personal property in order to secure themselves and get the benefit of the rise in price which they knew would take place under inflation. The result would have been a brisk demand for commodities and real estate, and a consequent rise in their price. But nothing of this kind has happened. Capitalists have sought greenbacks, or personal property readily convertible into greenbacks, and this shows what they have really believed. Men do not eagerly desire things in which they lack confidence. During all this time, United States bonds, expressly payable in currency, have been higher than the bonds payable in coin.

NO LACK OF CONFIDENCE IN SILVER DOLLARS.

Lately, it has been said, that the hard times are due to want of confidence in the silver dollar. But the owners of those dollars have not shown any anxiety to exchange them for real estate, machinery and the various other kinds of property. The same facts which show that there has not been a want of confidence in the greenback are true in regard to the silver dollar. England has no silver dollars; but her business is more depressed than ours. In fact, there has been for years want of confidence in the *number* of dollars which any kind of property, real or personal, would sell for. In other words, all classes of persons have felt no confidence in their ability to judge to what extent the currency would be contracted. Business has not revived because prices were falling. As the demonetization of silver by Germany, the United States, and several other

nations, created new and untried conditions, no one could tell how far prices would fall.

Manufacturers have been unable to sell their goods at a profit because the contracting currency steadily lowered prices. Business men will eagerly push forward whenever they think contraction has ceased; or, in other words, whenever business can be done without danger that goods will have to be sold for less than first cost, rent, clerk-hire and other expenses.

THE CONFIDENCE CRY.

When a person proclaims that "confidence" is all that is needed to restore good times, it is sometimes well to ask him: Confidence in what? The majority of such persons imagine that "confidence" in the cessation of silver coinage and the still further lowering of prices would revive business! If such persons had their way, what next would they want confidence in?

The opening of the Suez Canal and a large number of railroads have been assigned as a cause of hard times. If an increase in our facilities for transportation cause hard times, then all labor-saving machinery is a detriment. Ignorant mobs have frequently destroyed labor-saving machinery simply because they were thoughtless. Railroads and every other labor-saving invention facilitate the creation of wealth, and thus tend to make better times for the human family. The men who attribute the hard times to railroads are those who positively told us that the greenbacks made all the trouble. In the spring of 1878, the same persons were predicting universal ruin in case the silver bill became a law. If our superior modes of transportation have plunged millions of people into dire financial distress, we had better fill up our canals, destroy our railroads, and return to the primitive ox-cart.

We have undoubtedly built more railroads than were needed. In many cases, railroads have been built, not to benefit the section of country through which they pass, but to help the men who built them. There has been a lack of

judgment shown in building railroads. It is true that the capital and labor used in building a railroad not needed, are wasted. But this loss does not materially affect the value of that form of capital called money, which is always deranged in its workings whenever business is depressed.

Many persons have ascribed railroad speculation to the existence of greenbacks. But to say that selfishness, want of discretion, and lack of judgment, are due to greenbacks is as unreasonable as to attribute the yellow fever to the gold in the Treasury. Human infirmities existed before paper money was invented.

The idea that railroad manias are prevented by "gold payments" is utterly fallacious. Those who embrace it forget that England had "gold payments" in 1844, 1845, and 1846, and during that time she squandered large sums in a wild railroad speculation. The historian, Smiles, in speaking of that period. says:

> "Speculators were left at full liberty to project and carry out lines almost parallel with those of existing companies. A powerful stimulus was thus given to the existing spirit of speculation which rose to a fearful height in 1845, turning the whole nation into gamblers."

Speculation is a natural tendency of human nature and cannot be prevented by any kind of currency whatever. Speculation has for its parents: Desire for gain, and

> "Hope that springs eternal in the human breast."

Bad financial legislation, distress, and disaster may smother it for a short time, but it will reappear in spite of calamity and misfortune. To stop it would be to suppress the virtues of courage and energy, and, in short, to change the constitution of the human mind.

California illustrates the mistake of supposing that "hard money" generates business conservatism, while paper money creates speculation. That State has always had a gold currency, but no place has been the theater of more and crazier speculations. She has steadily had speculations in real estate, grain, mines, merchandise, and, in fact, in almost

everything which can be bought and sold. Those who think gold a remedy for speculation should visit San Francisco when business is "lively." They would then see a crowd acting like a lot of madmen, and would probably be cured of that delusion.

THE BANKRUPT LAW DID NOT MAKE HARD TIMES.

Prior to its repeal, it was widely proclaimed that the Bankrupt Act caused the hard times. It was said that such a law enabled persons to escape payment of their debts. It was forgotten that when a man has not enough property to pay his debts, he always "escapes" payment. The bankrupt law took all the debtor had; it is difficult to see how he could surrender more. The immense number of persons forced into bankruptcy were a *result* of the hard times, not the *cause* of them. Attributing hard times to the bankrupt law was as rational as to ascribe changes of temperature to thermometers. Bankruptcies are symptoms, not original causes.

The same persons who clamored for the repeal of the bankrupt law, as a remedy for the hard times in 1876, demanded its re-enactment in the hard times of 1884.

Bankrupt laws simultaneously sponge out all a debtor's property and debts. He can then start anew with legal security that his very first earnings and savings will not be seized as part payment of a debt so large that the interest alone renders its payment hopeless. By thus lifting men out of despair and giving them an incentive to industry and economy, bankrupt laws preserve to society much valuable service which is lost when no hope exists of ever peacefully owning and possessing property. It is no benefit to society to oblige a man to do business in some one's else name, or practice some kindred subterfuge in order to earn a livelihood.

OVERPRODUCTION.

Next to the idea that we have too much money, the cause of hard times most frequently alleged is "overproduction."

Manufacturers and merchants have had on hand more goods than could be sold except at ruinously low prices, and this has led to a belief that we have "too much of everything," and therefore suffer from hard times.

The minds of many have been confused on this subject, by the fact that while it is impossible to produce too much of *all* kinds of wealth, we can produce too much of a very *few* kinds, and thus create a glut in the market for a short time of those particular things. In other words, production may be to a small extent *misdirected*, temporarily. But misdirected production soon cures itself. Manufacturers could make more plows than were wanted, but they would then divert part of their force to making other kinds of tools, so that mistakes of that kind soon pass away without serious detriment to society. At some times and places the supply of certain goods may be either in excess or deficient, but when the social forces are not deranged by pernicious legislation these irregularities work their own remedy in a short time without producing material disturbance of industry.

WHAT PRODUCTION IS.

Production is a term used to define the creation of wealth; the manufacture of those things which supply man's necessities, comforts and desires. Therefore, discoveries in science and inventions in art are not a curse, but a blessing. Every new labor-saving device, or machine, should be hailed as a friend whose benefactions rightfully belong to the whole human family. If new inventions cause overproduction and overproduction cause hard times, inventions ought to be stopped at once. Let us go back to a system when there was less invention and less wealth.

But in fact, we have not now, and never have had too much wealth; we have not too many houses, too much furniture, too much food, too many cattle and too much labor-saving machinery. We hear no complaints of that kind. People complain of poverty—not of wealth. A great deal has been said of the "blessings of poverty." But most of

us are so unselfish that we are willing to resign our proportionate amount of such a "blessing" and surrender its enjoyments and advantages to other persons.

Prominent men have told us that we have too many laborers; that we have improved too many farms; raised too much farm produce; made too many goods; and opened too many mines. If that be so, then we have been too industrious; we have not enough drones and parasites; and, as a result, we have grown so rich that we are poor and distressed!

TENDENCY OF POVERTY.

A few individuals may be richer than is best for them, but mankind on the whole are in no danger of becoming too wealthy. If poverty be a good thing to improve mankind, the pauper quarters of great cities should be the best and happiest, as they have the greatest amount of this "heavenly discipline." The statistics of crime tell us a different story. They show that crime increases in the same ratio that a nation or a locality is impoverished. The temptation to do wrong is increased, and the will-power to resist temptation is weakened, by want. Thousands of mechanics are sober and reputable citizens as long as they have employment at fair wages. But when idle and poverty-stricken, they are unable to withstand the accompanying depression of spirits, and seek refuge in the rum shop to drown their misery in still lower depths. Wise Benjamin Franklin said: "It is hard for an empty bag to stand upright."

Poverty has a tendency to deteriorate the physical, intellectual and moral condition of an individual, a community, or a nation. Poverty narrows a man's sources of intellectual recreation; it diminishes his physical comforts; it lowers his self-respect; it breeds discontent, misery and crime. History teaches that it is almost impossible to elevate the moral or intellectual position of a people without first improving their material condition.

TRAMPS.

The "tramp problem," which has been such a mystery to many, is the old, old story; it is the logical and inevitable result of creating such changes in contracts by legislation as to derange the capital used in associating labor and capital; and, consequently, impoverishing a considerable portion of the population.

Those who are weakest in mental and moral resolution are most liable to succumb first to the pressure of hard times; they become discouraged, lose self-respect, feel embittered and thus become tramps. Many of those who favor a law which makes poverty a penal offense would soon become tramps themselves if their property and means of livelihood were taken from them. In fact, some of the fiercest denouncers of tramps have never earned a dollar in their lives by honest productive labor, but live on means inherited from, or created by others. Essentially they are paupers themselves, because they have never been self-supporting; have never contributed to society as much as they have received from it. The world does not "owe a living" to idle persons. Sound morality requires that all who are physically able to earn their own living should do so.

The derangement of the money of the country, the machinery of distribution, is shown by the stoppage of mills and factories. This is because thousands of people in bitter need of goods have either been out of employment, or have been working at such low wages that they have not money to buy them. There is no propriety in saying there are too many boots and coats in the world, when, at the same time, the number of persons in need of boots and coats is greater than in times when nothing is said of over-production. But there is good sense in saying that the machinery by which boots and shoes are distributed is not working smoothly when multitudes of persons, willing to work, are in enforced idleness and obliged to go without boots, coats and many of the comforts of life.

CAPACITY TO LABOR IS A FORM OF PROPERTY.

Whenever the production of any of the forms of wealth be either wholly or partially suspended, that event necessarily implies the throwing out of employment of one or more persons. The capacity to labor is a species of property. But it is the most perishable of all kinds of property. It is destroyed by the passage of a day. Therefore, when a man possess only that kind of property which is composed of a capacity to daily perform some useful service to society, he loses all his means,—all his property has gone to waste every day of his idleness. Consequently his power to buy and use his fair quota of the various forms of wealth is destroyed. This diminution of the property of an idle man lessens his consumption of the wealth produced by other men, and still further contributes to retard the distribution of wealth. What is childishly called "overproduction" then exists, and charlatans clamor for an increase of the very conditions which cause it.

THE FARMERS AND OVERPRODUCTION.

During recent political campaigns in which the propriety of making gold the sole legal tender was advocated, the farmers were told that gold payments would raise the price of their crops. The argument was that the price of wheat, beef, pork, and cotton was then fixed in gold in Liverpool—that gold had a "fixed value," and that therefore prices of farm products could not decline; but that the prices of most goods consumed by the farmer would be cheaper, as the farmer would have the gold for his grain to buy them with, and would thus save the gold premium. But events have shown that gold payments have produced an enormous fall in prices of farm products, and now many of the papers talk about an "overproduction" of pork, corn, wheat, and similar things.

The "overproduction" of farm products is merely this: their price, like that of everything else, depends largely upon the amount of money in circulation,—that has been

diminished and therefore prices have fallen. The price of farm produce has fallen in Liverpool just as it has here; and for precisely the same reason. The American demand for gold has increased the demand for gold in Liverpool; this has made gold relatively scarce and dear, and as a result, the prices of farm products have fallen in Liverpool.

The farmer who sells cheese must now milk more cows, to obtain the same amount of gold that he did before 1872. In like manner, the cotton planter must raise more cotton, the wheat grower must raise more wheat, and he who sells pork must raise more hogs. In short, more of all kinds of farm products, on the average, must be given as the price of 25 8-10 grains of gold.

WHO ARE BENEFITED BY FALLING PRICES?

The question naturally arises: Who receive the benefit of this additional amount of produce which the farmers now raise to get the original amount of gold? The answer is self-evident: It is those who own the same number of dollars they did when each one would buy less farm produce than at present. The owners of bonds, mortgages and other forms of indebtedness, and those who have substantially fixed salaries are the persons for whose benefit the farmer raises more produce for the same money. The cry of "overproduction" always arises from those classes.

LONDON AND NEW YORK ARE THE CHIEF AUTHORS OF THE CRY "OVERPRODUCTION."

England has heretofore been the greatest creditor nation on the globe. England originated the gold policy. The cry, "overproduction," has been heard in England more than in any other country. If too much wealth is produced in England, how is it that hundreds of thousands of her people are homeless and constantly on the verge of starvation?

New York is the greatest creditor city of this country. New York is the fiercest advocate of a currency exclusively

of gold. New York raises the cry of "overproduction" more than any other American city.*

A TEMPORARY CURE OF "OVERPRODUCTION."

We have seen that the morbid condition which persons, either ignorant or designing, call "overproduction" is usually treated as absurdly as the old plan of withholding water from patients consumed with fever. How then is a temporary cure of what is called "overproduction" usually brought about?

Simply by changing the amount of business and scale of prices relative to the amount of money in circulation. The amount of money in circulation is diminished, but the business to be done with it is diminished still more. After twenty-five thousand business men have been made bankrupt, they need less money than before, and the amount of money is thus relatively increased. After prices are reduced below the level they have stood for a long time, a smaller amount of money will serve to exchange the same amount of goods. When a smaller number of men are at work, and those at work get lower wages, it requires less money to maintain such an industrial organization, than when all are at work at good wages.

Commercial and industrial equilibrium are thus restored by a destructive and costly method. In fact, an industrial war burns over the country; and a vast amount of created wealth, and of possible energy in form of willing labor, is destroyed in the process, and this is what is called "scientific financiering."

* A false, absurd theory once fully lodged in the minds of a majority of mankind has a marvellous vitality. Over sixty years ago, Lord Wellington told the suffering laborers of England who were clamoring for bread, that their troubles all arose "from raising too much wheat." Quite recently, the Emperor of Germany made a speech in which the business depression which has existed in that country since the demonetization of silver was alluded to. Like the Duke of Wellington, the Emperor thought "overproduction" the cause of all the industrial derangement.

Suppose a farmer have eight sons and land enough by his method of farming to furnish four of them with employment. Further, suppose that instead of adopting wiser and better modes of cultivating his land, or instead of diversifying the employment of his sons, he should set them to fighting until only four were left alive. The above case would be similar to the present plan of maintaining our social system in existence by frequent industrial wars known as periods of " overproduction " and " hard times."

GREAT CHANGES IN THE AMOUNT OF MONEY IN CIRCULATION DESTROY WEALTH.

It is commonly supposed that sudden changes in prices and alterations in contracts made by legislation, while they take property from one class of persons and give it to another, do not actually reduce the total amount of value in the country. Recent changes in the ownership of property have been styled by prominent economists, " a redistribution of wealth." That is, legislation has taken wealth from one class and given it to another. The plain truth is that a man when committing burglary is engaged in " redistributing " wealth. But, in fact, such legal robbery does not merely transfer property from one man to another; it diminishes the total amount of value in the country. Therefore it should be called a partial destruction of wealth by rascally laws.

WHEN A THING HAS THE GREATEST VALUE.

We have heretofore found that the value of a thing to a man depends entirely on the circumstances and condition in which that man is placed. Consequently, a thing has its highest value, when in the possession and ownership of a man whose wants and capabilities are exactly supplied by that thing. Its lowest value exists when owned and possessed by a man who has no use whatever for it, and has no capacity to put it to good use. Between these two extremes, a thing may have various degrees of value. A woolen mill is far more valuable to a man who understands its manage-

ment, than to a person familiar only with running a steamboat. A chemical factory may be valuable to one skilled in the manufacture of chemicals, and of very little value to a farmer. Dental instruments would be of little use to a blacksmith. Numberless similar examples could be given.

WHAT EACH PERSON SHOULD POSSESS.

The tendency of society under proper organization and conditions is for each person to become the possessor of that kind of property which his peculiar, natural, or acquired abilities make him best fitted to use and manage to the best advantage. Not only the *kind* of property which a man shall own is thus regulated, but the *amount* of certain kinds of property which can advantageously be possessed by different persons, also tends to such self-regulation, when just principles govern.

When the various forms of wealth in a country have been more or less perfectly adjusted to fit the special wants of individuals differing widely in both natural and acquired capacities, a forcible dislocation of the distribution of this property inevitably destroys, in greater or less degree, the relations and conditions which give value to different kinds of wealth.

AN EXAMPLE OF DESTRUCTION OF VALUE.

For example, here is a man engaged in the business of bending wood for the manufacture of carriages and other similar purposes. He owns a factory fitted up with machinery specially adapted to the purpose of bending wood and good for nothing else. A lawyer holds a mortgage on that factory for about half its value to the wood-bender in prosperous times. Suppose the industries of the country are deranged, by considerably contracting the currency. The wood-bender, unable to sell his wares, fails to pay the interest on the mortgage. The mortgage is foreclosed and the lawyer becomes the owner of the factory. The wood-bender, impoverished and discouraged by the uncertainty of

mechanical business, goes west on a farm. The factory stands idle.

In the above case there has been an actual destruction of value, and not merely a transfer of value from one man to another. Like all other values, the value of the factory and machinery were not intrinsic or inherent, but depended on conditions,—on their being in the possession and management of some one with industry and skill to properly manage them. When these conditions were destroyed, a considerable portion of the value of the machinery and building was also destroyed.

Suppose two farmers live near each other and each one has work on his farm enough to employ four horses. One lends the other money in good times, and in hard times takes all his debtor's horses for the debt. The creditor has then eight horses, and has use for only four of them. Part of the value of the four horses taken from the debtor is destroyed, because their usefulness is impaired by the changed conditions.

If value, as commonly supposed, were an *intrinsic* quality, such changes of value as occur, by reason of unfortunate changes in conditions and circumstances, could not take place. As a matter of fact, values are often enormously changed by changes in the circumstances surrounding a thing. In some cases the effects of changes are greater than in others; but, in all cases whatsoever, a material change of conditions necessarily involves more or less change in value. Thousands of examples similar to those aforesaid could be cited to illustrate the fact that forcible transfers of property not only often consummate a gross wrong but usually are an actual destruction of a portion of the value of the property thus transferred.

An immense number of mortgages have been foreclosed during the past ten years. In the great majority of these cases, the value of the property so transferred shrunk in consequence of its not being as well adapted to the wants of its new, as of its original owners. But this has been trifling compared with the destruction of values which

would have inevitably occurred if the wishes of the bankers and "scientists" had been gratified by destroying the greenbacks, refusing to coin silver,—thus making gold the sole legal tender, and still further contracting the currency.

REPORT OF AN EMBASSY FROM CHINA.

While the nation is suffering to a serious extent from what is often called "overproduction," suppose an embassy should arrive in this country from China charged with the duty of studying our "scientific," monetary and social customs and ideas and reporting the ascertained facts to the Chinese Government. In substance, a portion of such report would read as follows:

"We landed at a port called New York. This, we were told, is the most populous and the richest city in the whole land. As our informants told us New York had more wealth than ten vast provinces, which they here call States, we wondered how it would seem to walk through a city where there was so much wealth and no one was poor. Soon after our arrival we had the honor of being invited to dine with some of the princes of New York. We were utterly amazed at the display of wealth made at these feasts. They were not held, as in China, in the day time, but at night. Soon after dark appears to be the middle of the day with the princes and queens of high rank in this wonderful country. These high dignitaries have beautiful palaces, elegant dresses, and such a multitude and profusion of dishes that the greater part of the dinner was simply soiled and wasted. This we thought would be lamented in China, but in this plentiful country where there is so much wealth, and too much of everything, we supposed it made no difference how much good food was thrown away.

"At first we passed our time in the palaces of this great city, and conversed with the great men, who told us many strange and interesting stories about the way too much wealth of all kinds was produced in this country. But we finally walked abroad to see for ourselves some of these wonders. We had been told 'there was too much of everything,' and, as we had never heard of such a thing before, we wanted to see how it seemed and learn how it could be. To our surprise, we soon saw great numbers of persons who appeared to be very poor. To make sure of this, we followed some of these persons to their homes and found that multitudes of mechanics and artisans were crowded into one poorly furnished house. We asked why they lived so, and found them truly too

poor to hire more commodious quarters. When we got back to the palace where we stayed, we sent for some of the wise men and asked why more houses were not built so as to have room enough to give every one a decent home. But the wise men told us the great trouble was that there had been an overproduction of houses and there were too many already. This seemed very queer to us.

"On our next walk we found that many workmen complained of not being able to get sufficient food for themselves and families. When we asked the wise men how this could be, we were told that bread was so hard to get because so much land had been cultivated and the crops had been so abundant that there was too much grain in the country, and that made it bad for poor people.

"We next inquired why more of this surplus grain had not been ground into flour to make bread for the hungry laborers. Then the wise men told us that the poor people found it difficult to get flour because too much flour had already been made, and so the surplus flour made it hard to get bread.

"It puzzled us very much to find things so different in this country from what they are in China. Upon further inquiry how it could be that the artisans were in want when there was too much flour, we were told it was because they were not at work, and so had no money to pay for bread.

"We then asked if everything were finished, and if there were nothing more to be done in this country, and found that a multitude of enterprises were clamoring for some one to complete them. But we were told that the workmen were without work because the money with which their wages were paid was too abundant. It amazed us to find that the reason the laborers were without money was because money was too plenty.

"We talked with the chief money changers of the city and asked why it was that the plentiful money was not used to hire idle men and set them to work. We were told there was plenty of idle money, but no one would hire it to carry on business with unless he was already in business and was obliged to keep on. This also seemed very curious to us, and we were still more surprised when told that men did not borrow money to start new business with because the rate of interest was so low.

"We then asked if men did not borrow money because the interest was too low, why the money changers did not raise the rate of interest? Thereupon, the wise men laughed at us and said, if times grew much worse, business men would not borrow even if no interest were asked for use of the money. This left us more perplexed than ever, because in China men find it easier to pay a low rate of interest than to pay a high rate.

"The news in all the public prints was that merchants in great numbers were unable to pay their debts and were becoming bankrupts.

This we asked the wise men about, and were told that merchants failed because they could not borrow money to carry on their business, and that too much money in the country made this trouble. In China, when money is plenty, merchants who want money do not borrow; they sell their goods and get money of their own. We wondered why the merchants of this country did not do as our own merchants do. But we finally learned that they did not sell their goods because no one would buy them. We found that the people did not wish to exchange the money of which they had too much for the goods of which they had too little. This is so contrary to anything which happens in China that we can find no way to explain it.

"In hopes to learn some way of understanding the many curious things which are continually happening in this strange land, we journeyed to a great city in an interior province on the shores of a fresh-water sea. This city is named Chicago, and is called a great place for distributing wealth. So we expected to find that wealth had been distributed to every one. But we were surprised to notice, on our first walk through the streets, a crowd of ragged workmen, some of whom were barefooted. As the weather was not warm, we felt sorry for these men, and wondered how in such a rich place, where there were so many goods, these things could be.

"The great scholars of Chicago told us the workmen were ragged because there was too much cloth in the country When we inquired why this cloth had not been made into garments for poor people, we found that great trouble had arisen because so many clothes were already made up and could not be sold. This, we were told, was because machinery now made cloth and clothes so rapidly that there was too much clothing in the country. We also found that many natives of this extraordinary country went barefooted because there was too much leather, and too much machinery whereby boots and shoes were made in too large amounts.

"At night we saw many persons in the streets begging for a warm shelter, and complaining that they had not enough blankets to keep them warm. Then we studied the learned magazines, books, and newspapers of this wonderful land and learned that this was because the warehouses and shops were overstocked with blankets. We also learned that a great supply of a thing always forced multitudes to go without that plentiful thing. As people in China get abundant things more easily than they do scarce things, this amazed us very much.

"We next journeyed among the farmers, and heard sad complaints that they were unable to pay their taxes and other debts, and buy the cloth, sugar, tea, and other things wanted in their houses. The farmers told us that this hardship was because the men in the villages and cities to whom they sold their produce paid such very low prices for it. Upon

going to dealers in farm products, and inquiring why such a fact existed, we were told that several great scholars from a high school of learning, had been in that province and stated that the low prices of farm produce were caused by too much money. Now, in China, produce is always high priced when money is plenty, and low priced when money is dear and scarce, and so we were once more bewildered by the events taking place in this extraordinary country.

"We next traveled to a great smoky city called Pittsburg. There we saw great numbers of idle laborers who bitterly complained of lacking the necessaries of life, and among other things, said they were suffering from cold. This made us think that provisions and fuel must be scarce in that province. We asked the workmen why they suffered, and some of them said it was because the convicts in States' prisons were kept at work. These workmen thought if the convicts were supported in idleness it would be better for the laborers whose toil would feed the convicts.

"But the chief rulers of the city soon informed us that the true reason for the sufferings of the workmen was because too much coal had been mined, and so the laborers had to suffer for want of fuel. These learned men also told us that too much beef, pork, and flour were in the warehouses, and that this made the workmen great distress. As the workmen in China have plenty to eat when there are plenty of provisions in the land, and plenty of fuel when coal is plenty, this also seemed very queer and difficult to explain.

"We have vainly traveled over much of this strange land in search of some way to explain the things which happen therein. Nearly everything here seems exactly the opposite of what it is in China. So much is this so that we have begun to reason directly contrary to the way we reasoned in China. Whenever a thing becomes very plenty in this country, it immediately becomes very hard to get. And when things are scarce, it is very easy to get them. When a man in this nation becomes very pious, it is taken as a sure proof that he is a knave and a cheat. When a man calls himself 'a patriot,' it is considered evidence that he is trying in some way to defraud his country. And we find that in this country a 'benevolent man' is a person who gives for charitable purposes a small portion of the property he has defrauded other persons of.

"In order to be able to tell our countrymen how these strange things come to pass, we have diligently studied the books and have talked a great deal with the princes and the learned men of this marvellous nation. And among other efforts to understand these curious things, we have talked with a class of people which is quite large, and whom the natives call 'statesmen.' These statesmen got their name because they are men who are constantly planning to live on the State; so the natives call them statesmen. These wise and distinguished persons told us that the

present amazing condition of things did not always exist in this country, but that it often accidentally happened.

"Then we tried to find out what kind of an accident occurred to create such curious facts, but no one could tell us. They all thought something had happened, but what it was no one knew. Why too much of everything existed at one time and not at another, we could not learn.

"Next, we asked the statesmen why the rulers of the land did not order the destruction of the surplus wealth that caused such distress among the poor people. We tried to learn why the flour, meat, butter, cloth, shoes and other things which were made so hard to get because there was too much of them, were not partly burned up so as to relieve the existing distress. The statesmen told us such an order would be a good thing if it could be enforced; but that two things stood in the way of burning up the surplus goods. First. The poor people would say: 'These are just the things we are in need of—give them to us, instead of burning them up.' These poor people are ignorant of political economy, they cannot see the advantage of destroying surplus goods which cause hard times, and would raise a riot if such thing were attempted. Second. No one could be found who would be willing to have part of *his* surplus goods destroyed. Each man denies that he has too much, and insists that other people have too much of the very thing he needs.

"We have talked with a kind of men in this country that are called scholars. This word has a meaning here different from what it has in China. We call men who think, scholars. In this strange country, the word 'scholar' means a man who does not think himself but who has read what some dead scholar wrote about some other dead scholar who wrote about another dead scholar. We asked these scholars why the men who had too much of one thing and too little of another thing did not exchange goods with one another, and thus mutually supply each others' wants. We asked why the man with more wheat and less cloth than he wanted did not trade with the man who had more cloth and less wheat than he wanted.

"The scholars told us this was so because trade in America was carried on with money, and there was so much money that trade had partly stopped. Then we asked, if trade had so stopped because the money was so plenty that no one wanted it, and would not give his goods in exchange for it. The scholars said that, on the contrary, every one was anxious to sell his goods for money; but money was so excessively plenty that those who had possession of money did not wish to exchange it for goods, and therefore trade could not be carried on because money was hoarded.

"These sayings of the scholars puzzled us very much. We cannot see why Americans should act so unlike the people of China. In China,

people hoard scarce things; they do not hoard what is so plenty that no one wants it. We find that whenever hard times come on in America (for hard times is the name Americans give to times when there is too much of everything), and there is too much money, the laborers get less money for a day's labor than when money is scarce. And, whenever there are too much food and clothing in the country, the number of beggars increases. The more these curious people are in want, and the greater and wider-spread the destitution, the more certain the American scholars are that there is too much of everything. Events in this country produce results directly opposite from what they do in China. Plenty is as much dreaded here as famine is in our own country."

"In traveling, we have been frequently pained by evidence that most of the people of this country have great contempt for China and Chinese customs. To learn why this is so we have privately talked with several 'statesmen,' and have been told that this ill feeling is because its holders suppose our countrymen are mere imitators, followers of old customs, without independence of thought or conduct.

"Upon inquiring if the people of this country were original in thought and conduct, we were much amazed to discover that very few of them were, and that these few were called 'cranks,' 'lunatics,' and other derisive names.

"We could write about many other perplexing things, but they are so numerous and so impossible of understanding we beg for our speedy recall to our native land where mysterious things do not beset the people on every side."

CHAPTER XIII.

Prices: They are Always an Appraisal of two Things and a Comparison of One With the Other.—What Hard Pan is.—13th-Century Prices.—A Wedding in 1528.—Causes of Fluctuations in Prices.—Natural Remedies.—Discounting the Future.—Dangers of Debt under the present Monetary System.—Power of Combined Money Capital.—Irregular Prices.

Variations in prices are not the result of either accident or chance. They are the legitimate effect of unvarying natural laws acting under different circumstances and conditions. The product of an unchanging law, acting amid changing facts, must vary with the altered facts.

Heretofore, we have incidentally stated some of the principles which govern prices, but some further consideration of this topic may be desirable.

Considerable literature exists on this subject. Its value however is largely impaired by the fact that its authors have mostly assumed that the price of a thing at different times simply represents the variations in the supply of, and the demand for, that thing. Misled by the "par value" theory, heretofore discussed, they have usually assumed that the value of gold and silver was stationary, and, in consequence, have been bewildered by facts, simple when viewed in a proper light, but impossible to explain on the usual hypothesis.

Prices express ideas of the value of things stated in the money of account. Variations may occur in the price of a small number of things, owing to their increased or diminished supply relative to the demand, without any change in the value of money. But variations of the general average of prices always imply either a rise or a fall in the value of the money in which the price is stated.

WHAT HARD PAN IS.

Much has been said during recent years of the desirability of getting prices down to "hard pan." Many persons imagine it easy to put prices down to a level where they will remain without further fall. This can be done by putting prices at nothing, and in no other way. There is only one limit to which prices may either rise or fall, and that is the limit to which the currency may either be expanded or contracted. Contract the currency sufficiently and prices will inevitably fall to where they were six hundred years ago. What is now called a hard-pan price, would then be called "an inflated and fictitious value."

13TH-CENTURY PRICES.

In the 13th century, in England, money was very scarce and prices correspondingly low. Beef was worth one-quarter of a penny per pound; butter, three-fourths of a penny per pound; wheat, from six to ten pence a bushel; cheese, one-half penny per pound. Ordinary tillable land could be bought for six shillings an acre. Laborers' wages were from half a penny to two pence a day. Carpenters received about three pence a day.

Prof. Rogers gives us the following list of average prices in England from 1449 to 1450:

Wheat, 5 s. 10 d. a quarter, *i. e.*, 8 bushels; oatmeal, 5 s. a quarter; beef, 4 s. 1 d. per cwt.; mutton, 4 s. 6 d. per cwt.; pork, 5 s. per cwt.; geese, 4 d. apiece; fowls, 1 1-2 d. apiece; pigeons, 4 d. a dozen; candles, 1 s. 1 d. per dozen pounds; cheese, 1-3 d. a pound; butter, 1-2 d. a pound; eggs, 5 3-4 d. for ten dozen. For nine months of the year, a master mason got 4 s. a week. Ordinary masons got 3 s. 4 d. a week for ten months of the year, and 2 s. 10 d. a week for the other two months.

A WEDDING IN 1528.

How slowly prices have risen is shown by the following table, which is a price-list of some of the things consumed at a wedding feast in England in 1528:

	£	s.	d.
82 Geys	1	0	7
47 Pyggs	1	3	10
64 Capons	1	9	8½
74 Chekyns		8	2
5 Oxen	6	13	4
24 Weathers	3	4	0
6 Calves		20	0
600 Eggs		6	0
19 Gallons Mylke		1	7
72 Barrels Beer		12	10

Since 1873 we have been drifting rapidly back toward the prices in the above table. When "mylke" was sold for one penny a gallon how much wages did the man get who milked the cows?

CAUSES OF FLUCTUATIONS IN PRICES.

Many of the causes of fluctuations in prices are as complex as the workings of the human mind. Hopes tend to elevate prices, and fears tend to depress them. Fear of an impending evil, or change, will often lower prices more than the event itself. A slight decrease or a slight increase of the average amount of a crop of any kind often raises or lowers the price far more than the percentage of change in its amount would seem to warrant. Mankind are largely governed by emotions which are always contagious and often assume the form of epidemics. Men often follow their leaders as blindly as a flock of sheep. Whole nations will become excited with hope or plunged into gloom by distrust and apprehension. All changes in laws and customs, every invention, new developments in agriculture, mining, mechanics, and commerce, in short, every revolution of the social machinery of our race has a tendency to affect prices.

Therefore, although changes in the amount of money are a dominant cause of changes in prices, they are by no means the sole cause of such changes. It must be borne in mind that as value is human judgment of the comparative worth of things, prices are therefore statements of relative appraisal,—they are estimates of relative value. Conse-

quently whatsoever cause sways human judgment, influences prices.

Those who have made the most careful examination estimate that from 1492 to 1800 the gold and silver mines of America poured into Europe about thirty times the amount of gold and silver that previously existed there. Allowing about one-half of this amount for losses, consumption in the arts, and shipment to the East, would still leave the amount of precious metals fifteen times as great as before. Such estimates, however, must only be approximate.

Various computations have been made of the rise in prices which took place during the aforesaid period. These differing observers substantially agree on two points: First. The increase of gold and silver was a dominant cause of a great rise in the average scale of prices during said time. Second. The rise in prices did not keep pace with the increase in the amount of the precious metals.

That doubling the amount of gold and silver in a country during a period of fifty years will not double the prevailing scale of prices in that country, a little reflection will show. In the first place, such multiplication of gold and silver is usually accompanied with a great increase in the population, commerce and wealth of that country. So that although the *absolute* amount of the precious metals may have doubled, yet, at the same time, their *relative* amount has been comparatively little augmented. A change in the number of ounces of gold and silver in a country is governed by the same law which presides over a change in the number of bushels, or the number of any other valuable things; to wit, it is always the change *relative* to all other circumstances and conditions that determines what the result of such change shall be. Thus in a country whose commerce is steadily growing, the amount of gold and silver should simultaneously augment to meet the increased demand for them; otherwise, the amount of those metals will steadily grow relatively smaller and a tendency for prices to fall will necessarily be produced.

NATURAL REMEDIES.

A principle extends throughout the entire realm of natural law whereby every manifestation of force carries with it a correlative one. This related force has a tendency to modify or abate the action of its predecessor; or in some way to supply what has been called a compensatory or balancing result.

For example, a great wave of hot air immediately sets in action forces whose tendency is to limit its duration and lessen its effect. The melting of snow brings with it a cooling effect which retards a rise in temperature. In like manner, every natural process has its remedy and counterbalance; and what is true of inanimate things is true of mankind. All forms of human conduct have an attendant, as inseparable from them as a shadow from the substance, which alters what otherwise would have been their product.

Thus the actual condition of individuals and nations, in all respects, is not simply the fruit of their ignorant desires when they committed certain isolated acts or steadily followed a definite policy; the final results of their conduct are always modified by attendant influences ordained by the Creator of natural laws. It is as if a beneficent spirit were constantly at hand seeking to interpose a cushion between us and the blows evoked by our folly. One manifestation of this principle is called by medical observers the "remedial force of nature," the "self-limitation of disease," a general understanding of which would revolutionize many of our modes of treating the sick. It deadens our physical sufferings, dulls the edge of mental anguish and often rescues us in spite of ourselves.

The aforesaid plain considerations show how a rise of prices tends to check itself, and prevents it from reaching the height which otherwise would be attained. It necessitates the use of more money to exchange the same amount of property, and thus indirectly diminishes the amount of money relative to the demand therefor. In a similar manner, falling prices bring with them a tendency to check

the fall, and give prices an upward movement. Lower prices lessen the amount of money needed to transfer a given amount of value, and thus increase the relative amount of money in circulation.

DISCOUNTING THE FUTURE.

It is also apparent that the statement of opinion which forms a price is not based simply on the present situation of affairs. What the future is likely to be, often enters into the calculations of those who estimate values, more than the actual existing facts. Events, the influence of which will certainly depress prices, in the future, to an unknown extent, are often unduly magnified in importance.

A belief that prices are not to be lowered in the immediate future leads to two things, each of which tends to raise the previous scale of prices. First. Less money is hoarded, and, consequently, more is put in circulation. In effect, more money is thrown upon the market and offered for sale. When it is supposed that prices will rise, it is also believed that hoarding of money will result in loss to its owner. Whatever a person wishes to buy can then be bought with less money than after the anticipated rise actually occurs. Second. More business is done with substitutes for legal-tender money. People are more willing to give promissory notes and other evidences of indebtedness when they feel that the property bought therewith will not depreciate in value.

In this way, prices often rise after some contraction of the legal tender has occurred, because an expansion of the substitutes for legal tender has taken place to an extent greater than the legal-tender currency was diminished. The highest range of prices occurs when a large amount of legal tender is in active circulation, and, at the same time, public hope is such that private credit in form of promissory notes is also largely employed. Prices are lowest when the legal tender is contracted simultaneously with a widely spread public distrust of the future, which induces a general contraction of private credit. Contraction of the legal-

tender currency is apt to produce a contraction of private credit in proportion as the fact is known, and the legal-tender contraction is supposed to be permanent.

Prices are liable to undergo great changes just in proportion to the relative smallness of the amount of legal-tender money. This is so, because the use of private credit, as a substitute for legal-tender money, has then more relative influence in creating and supporting prices than when a greater proportion of legal tender is in use. The extent to which private credit shall be used is largely determined by human judgment of future prices,—by hope and by fear. Therefore, a nation which has a small amount of legal-tender money, and makes large use of private credit in form of promissory notes, bank bills, and other evidences of debt, is peculiarly liable to sudden and great fluctuations in prices. Instead of the "hard pan" that is talked of by friends of the English monetary system, the actual basis of prices in that country is the ever swaying emotions, thoughts, and conclusions of the human mind.

The percentage which prices fall in periods of so called "overproduction" is only a portion of the losses thereby sustained by business men. The feeling that prices are going still lower largely stops sales at any price. The majority of mankind are so constituted, that, when goods and real estate steadily fall in price until they are offered for one-half the former rate, they refrain from buying because fearful, if they do so, that the price will sink to one-quarter of the original sum. Many persons would be less likely to buy property for one-quarter its usual price than if the price had advanced beyond its ordinary level. This occurs because values and prices are statements of human judgment; and the majority have little confidence in their own judgment independently of the opinions of other people.

DANGERS OF DEBT UNDER THE PRESENT MONETARY SYSTEM.

The foregoing considerations show the hazard incurred under our present financial system by those who carry on

enterprises, to a considerable extent, with borrowed capital. A man with a hundred thousand dollars of his own borrows a hundred thousand. The country is on what he supposes "hard pan"; *i. e.*, specie payments. He imagines his property has an "intrinsic value" which cannot be shaken.

Suddenly, the judgments of a large number of persons are influenced by fear. A few large failures have occurred, and there are rumors of more; no one wants anything but legal-tender money, and the amount of that, relatively small at first, is diminished by hoarding. No one will take his notes. When he tries to sell his property, he finds that the *intrinsic* quality, he supposed it had, is gone. Men's judgments have changed, and values have changed with them. Meanwhile, interest, rent, the wages of employees, and other expenses go on without cessation. In the end, all his property is taken to pay a "hard pan" debt of one-half the original value of his estate.

Quite often in such cases, not only is all the debtor's property gone, but a considerable amount of debt remains unpaid. In consequence of the delusion that hard times were created by a bankrupt law, that act has been repealed. The debtor thus finds himself stripped of property and without hope of ever getting any. But he has the satisfaction of constantly reading that "our financial system is highly scientific." *

* According to the census of 1880 the public and railroad indebtedness at that time was as follows:

United States debt,	$2,120,415,063
State and other public local debts,	821,967,447
Railroad debts,	2,812,116,296
Total	$5,754,498,806

The total population of the United States at that time was found to be 50,155,783. Therefore, in round numbers each man, woman and child in the United States in 1880, on the average, had to pay the interest, directly or indirectly, on $114.00 of public and railroad debt. At five per cent., a family of father, mother and three children would have, on the average, to pay $28.50 per annum for interest. If fifty cents can be saved from each day's pay, this means the savings of 57 days' labor. If

POWER OF COMBINED MONEY CAPITAL.

The concentration of wealth shown by the foregoing figures suggests the facility with which the money capital of the country can combine for the purpose of securing such financial legislation as may suit its purposes. It is a very moderate statement, to say that one thousand men can readily be selected from the various financial centers of the United States, who, by virtue of their personal wealth

only 25 cents can be saved from each day's wages, it means the savings of 114 days' labor. The more hours' labor "a dollar" means, the heavier the burden of public debt on the laboring classes. The danger that a course of procedure similar to that above sketched will be occasionally sprung, like a trap, upon unsuspecting debtors grows greater in proportion as the capital of the country accumulates in a comparatively few hands.

The census of 1880 presents some facts which illustrate the tendency of our present social organization to concentrate wealth in few hands and consequently in few places. According to that report, the total assessed value of real and personal property in seventeen States was as follows: Virginia, $308,455,135; West Virginia, $139,622,705; North Carolina, $156,100,202; South Carolina, $133,560,135; Georgia, $239,472,599; Florida, $30,938,309; Alabama, $122,867,228; Mississippi, $110,628,129; Tennessee, $211,778,538; Arkansas, $86,409,364; Kansas, $160,891,689; Louisiana, $160,162,439; Texas, $320,364,515; Nebraska, $90,585,782; Colorado, $74,471,693; Nevada, $29,291,459; Oregon, $52,522,084. Total, $2,428,122,005. At the same time the following seventeen counties and cities were assessed as follows: San Francisco Co., Cal., $244,626,760; Cook Co., Ill., $148,982,393; Orleans Co., La., $91,794,350; Bristol Co., Mass., $100,029,138; Essex Co., Mass., $155,241,900; Middlesex Co., Mass., $258,392,568; Suffolk Co., Mass., $658,220,621; Worcester Co., Mass., $127,690,969; Baltimore, Md. (City), $244,043,181; St. Louis (City), $165,288,400; Essex Co., New Jersey, $107,385,475; Kings Co., New York, $244,556,977; New York Co., New York, $1,094,069,335; Hamilton Co., O., $207,324,047; Allegheny Co., Penn., $170,708,301; Philadelphia Co., Penn., $581,729,759; Providence Co., R. I., $178,448,469. Total, $4,898,532,653. It further appears that Suffolk Co., Mass., New York Co., New York, and Philadelphia, Penn., had a total wealth of $2,334,019,715. If we omit the State of Mississippi from the foregoing list of States, the three cities, Boston, New York and Philadelphia have a greater wealth than the other aforesaid sixteen States with their vast area of fertile land.

and leadership of other rich persons, can devise and indicate the policy which the concentrated capital of the land will combine its energies to secure. This is to say that, at any time during the past twenty years, the financial legislation of the United States would have been completely reversed, if one thousand of the leading capitalists, whose wealth is chiefly in money and evidences of indebtedness, had thought it to their personal pecuniary interest to reverse it.

The remedy for preventing concentrated capital, by its control of the press, the platform, and the pulpit, from securing special legislation is obvious. The mass of voters should learn economic principles sufficiently to immediately recognize measures cunningly intended for the aggrandizement of a special class, at the expense of all other citizens. They should fully understand that the major portion of the practical effect of financial legislation is the influence it will exert either to raise or lower the average scale of prices. Furthermore, they should recognize that prices are, on the average, uniform just to the extent that the volume of circulating money enlarges and diminishes simultaneously with an increased or a diminished demand for it. Therefore a money and its regulation are perfect just in the degree that money maintains a uniformity of amount RELATIVE to the demand for it; and such uniformity is only possible when the materials from which the money is made are immediately responsive to either an increased or a diminished demand for money; *i. e.*, there should never be a dearth of the raw materials of money, and upon a cessation of the demand therefor, surplus money should rapidly disappear from circulation. Then prices would be comparatively uniform.

IRREGULARITY OF PRICES.

The following article, taken from the New York *Tribune* of August 2, 1886, is a good specimen of the kind of reasoning used by those who believe in the mysterious, "unvarying" value of gold:

"WHY SILVER FALLS.

"An ounce of bar silver was worth a bushel of wheat at New York a year ago, and is worth a bushel of wheat at New York now. Then silver sold at 49.19d. per ounce in London, and wheat 99 1-4 at New York. Silver was held at 42 3-4d. on Saturday in London, and wheat at 85 1-4 at New York. Silver has fallen over 13 per cent., but wheat has also fallen over 13 per cent. during the year.

"Careless thinkers say, 'This is only an increase in the purchasing power of gold, which has been made artificially scarce.' If it were so, other prices would be changed in like manner and measure. But corn then worth 52 1-4 cents is now worth 50; cotton then worth 10 1-2 cents is now worth 9.56; lard then worth 6 3-4 is now worth 7; pork then worth $11.50 now commands the same price; coffee then worth 8 5-8 now sells at 9 1-2; sugar then worth 5.06 now sells at 4.69; iron then worth $17.75 is now worth $18; Bessemer rails then worth $27.25 are now worth $34.50; tin then worth 22 1-4 is now worth 21 3-4; copper then worth 11 cents is now worth 10; lead then worth 4.15 is now worth 4.80. Here are changes so irregular that there has certainly not been a general increase of 13 per cent. in the purchasing power of gold."

The above is followed by a verbose way of saying that silver coinage "operates to degrade and depress silver as nothing else could."

The exercise of a little common sense and a little consideration of the facts which occur when prices are either steadily falling or steadily rising will explain the aforesaid irregular prices.

When the currency is contracting, general prices, say of a hundred leading articles, never fall in a uniform manner. The price of some things may decline within a year fifteen per cent. and of others only five per cent. Meantime, some prices may remain unaffected, or may even advance. Special facts and conditions may temporarily be potential enough to keep a few things from sharing in the general decline of prices. A notable illustration of this is seen in the price of real estate. For the past thirteen years, in consequence of contracting the currency, there has been a general tendency for real estate to fall largely in price. But the land situated in a few locations has meanwhile risen in

value, as the result of the special circumstances under which it was placed.

A similar fact occurs when the currency is expanding and prices are consequently rising. There is never a regular ratio and percentage in the manner by which prices change from month to month and from year to year. The line of advance, like that which marks the changes of the seasons, is an irregular one. While the prices of a majority of articles have risen, by a varying percentage, a few things may stand at the old quotations, or even be lower than before the general rise of prices set in. This may easily be verified by examining a file of commercial newspapers published from 1861 to 1864.

The aforesaid irregularity with which the prices of different things vary can only be explained by reference to the causes which produce all changes in prices. The range of prices at a given time is the resultant, the product, of the different forces and conditions which are then, and for some time previously, have been in existence and the public judgment thereon.

An increase or a diminution of the currency changes the conditions from which prices spring in two ways. First, by the broad general influence exerted by such increase or diminution.

Second, this general influence operates in various ways on different things, because each of those things is more or less surrounded with special conditions and circumstances.

A heavy rain-storm operates in different ways on a crop of grass. It may benefit it, but if the grass have been cut and dried it may largely destroy its value. A general influence of any kind thus produces results varied by the conditions it affects.

A tendency to a general rise or fall in prices sets in motion and operation currents and forces within the general influence. The result of these opposing forces is seen in the fact that the order and ratio in which prices rise and fall vary both in time and in degree. These fluctuations of prices are a prominent evil of a currency subject to great al-

terations in relative amount. If prices of all things thereby steadily rose and fell by a regular ratio and percentage, such prices could be estimated and allowed for with little difficulty in all forecasts of the future. In fact, if that were the case, no matter what changes prices were undergoing, a little arithmetic would enable a business man to translate an expanding or a contracting currency into a stable one.

But where a general tendency has set in action a hundred minor forces, each of which is meeting a different resistance and operating under special facts and circumstances, not fixed but constantly changing, it is utterly impossible for any one to accurately predict what the price of a given thing at a specified date will be. The result is to reduce mercantile transactions, more or less, into a game of hazard, in which shrewd, cunning persons who watch the markets have an advantage over the masses whose thoughts are directed solely toward the creation of commercial products.

Even between persons who have no desire to join the predatory classes, the aforesaid inequalities of prices often cause one person to inflict an unintentional injury on another. A forcible example of this occurred during the life of the Southern Confederacy, in which an acquaintance of mine was one of the actors. She sent her child to a school at which the yearly charges, before the war, were $100, but at that time said charges were $1500. She had a steer which in ordinary times was worth about $30. This animal she sold for $1500, and with the money paid the yearly charge,—thus discharging the debt with less than one-third the value she would ordinarily have justly paid.

The above was one of a vast number of instances in the Confederacy in which the equities between individuals were not fulfilled because of unsettled prices. Great as the evil of an enormous rise of prices was, that wrought only a portion of the mischief actually done. The irregularity of that rise, the eccentricity of prices, the fact that the products of one man's labor rose in price much more, within a given time, than the products of another person's labor, was also a fruitful source of evil. This arose from the lack of estab-

lished uniformity of public opinion and judgment in regard to the value of various things relative to the value of money. Circumstances changed so rapidly that time did not permit the formation of substantial unanimity as to what constituted a fair appraisal and comparison of relative values.

The idea expressed in said editorial, that the way to raise the price of silver would be to diminish the demand therefor, has heretofore been so fully discussed that it is needless to do more than suggest, if that be so, the converse is also true, viz., the greater the demand which may hereafter arise for silver, the lower the value of that metal will be. This simply contradicts all reason and all human experience in regard to silver and everything else.

WHY FALLING PRICES THROW WORKMEN OUT OF EMPLOYMENT.

When prices are steadily falling, large numbers of persons, able and willing to work, are always unable to obtain employment. This fact is well known, but the cause of it is generally misunderstood. It is said, in a great variety of ways, that there are then more laborers than requisite to perform the work which employers wish done. And, curiously enough, those who make this almost self-evident statement fancy they have thus described the malady from which society is suffering. In fact, they have merely stated one symptom the source of which has not attracted their attention.

In order to find out why *one* hundred thousand persons hire less workmen than come to them for employment, let us examine the conduct of *one* of those employers. A owns a large number of vacant lots, and is willing and anxious to erect houses thereon, provided the houses when finished can be sold for the cost of building them. This can be done when prices are stable. But when prices are falling, so that a building which cost five thousand dollars cannot be sold for more than forty-seven hundred dollars, if A build a house and sell it, he is three hundred dollars worse off than if he had done nothing. The result is that he will

stop building houses for sale, and consequently will not employ the workmen he otherwise would.

In the aforesaid case, the reasoning and the conduct of A are precisely analogous to the reasoning and actions of a multitude of other persons who, under a great variety of similar circumstances, would like to engage in enterprises which necessitate the employment of labor. They refrain from them, not because there is too much wealth already created, but because the work, when completed, cannot be sold for, or will not yield in some form, the *number* of dollars which were required to complete it.

A number of wagons may cost ten thousand dollars to build and can only be sold for nine thousand five hundred dollars. But some one says: Are not the nine thousand five hundred dollars of as much value when the wagons are sold as the ten thousand dollars were when the wagons were in construction? Granted. But that fact does not help the matter. On the contrary, it is the root of the difficulty. The wagon builder says: "If I had remained idle and loaned my money for nothing, on good security, I would now be worth five hundred dollars more than I am. I will lock up my shop until prices have ceased to fall. There is neither pleasure nor profit in spending fifty dollars on a wagon and then selling it for forty-five dollars."

When occurrences similar to the aforesaid take place, the "dollar," although nominally of the same value—*i. e.*, at par—is actually steadily rising in value. Meantime, interest is apparently low and there is a common belief that "money is cheap."

CHAPTER XIV.

Specie Payments.—National Banks.—The essential Condition requisite to give Value to Paper Money.—Specie Payments.—Chief Objection to Specie Payments.—How Banks of Issue raise and lower Prices. —Essential feature of Specie Payments.—How Bankers evade their Promises.—The Chief Evil of Specie Payments.—What occurred in 1857.—What Experience has shown.—Legitimate Banking.—National Banks have Special Privileges.—National Banks are unfair Monopolies.—The Flow of Coin.—Results of Draining away Money. —A Universal Natural Law.—What we should Attempt.—The End toward which we are Traveling.

A great outcry would arise if legislation were proposed which would enable any farmer, owning and tilling one hundred acres of land, to borrow one-half the value of that land of the Government at one per cent. per annum. But would this privilege be any more unjust to other citizens, than to permit national bankers to borrow Government money at one per cent. per annum?

In an advanced stage of civilization, bankers are as necessary and useful members of society as blacksmiths. The issue of paper money by bankers is a wrong not necessarily or properly connected with their legitimate business and should not be confounded with it.

To give a small class of persons such power, and place them in such circumstances that they can, with profit to themselves, injure the business and property of all other citizens, is both unwise and unsafe. When a nation places its sovereign right to issue money into the hands of bankers, it gives those persons the power to so manipulate the currency as to raise or lower prices, thus placing them under temptation to enrich themselves at the public expense.

We have heretofore found that the value of one of the units of a nation's money depends chiefly on the number of those units in circulation. No matter of what material this circulating money be made, whether silver, gold, or paper, it is all subject to the same general law. Many persons have

been confused on this topic from not remembering one practical fact relating to the manufacture of money.

The raw material from which gold and silver coins are made is limited by nature to a comparatively small amount. This renders any other limitations on its coinage unnecessary. For century after century those metals have had no artificial restriction on the amount of them which should be coined. The existing limitation on the coinage of silver is of recent origin and will probably soon be removed.

But the material from which paper money is made can be produced in such enormous quantities that an artificial limitation on the amount of money made from it is absolutely necessary. When properly limited in amount, paper money is superior to all other kinds.

THE ESSENTIAL CONDITION REQUISITE TO GIVE VALUE TO PAPER MONEY.

It needs on it no promise of redemption in coin or bonds. All that is necessary is the stamp of the sovereign power, making it a full legal tender and LIMITATION IN AMOUNT. Congress can pass a law by virtue of which all the existing greenbacks and bank-notes shall be destroyed, and their place filled by an issue of paper money which shall simply bear an inscription similar to that now placed on gold and silver coins; viz., "United States of America. One dollar," and a kindred inscription for other denominations.

The issue of any paper money, except these bills, by any person or authority, to be forbidden, both in peace and war, under any pretext whatsoever. This money to be a full legal tender at its face value, and to be regulated in amount by some efficient check. Such money would be superior to any we have ever had. But this is not yet generally known.

SPECIE PAYMENTS.

Our monetary system represents the prevalent belief that paper money is more convenient than any other, but worthless unless it has printed thereon a promise of its being re-

ceived at its face value, and an equal amount of coin given in exchange therefor. The issue by corporations of promissory notes to be used as money and redeemed by the makers, in coin on demand, is therefore called "specie payments." The notes so issued as money are theoretically always worth as much as coin, and are loaned on interest by discounting promissory notes due in a short time. The profit of this business therefore depends on the amount of paper money which can be kept out at interest, in proportion to the amount of coin kept on hand for its redemption. If no more paper were issued than coin kept in the bank, the only advantage of bank paper would be in the superior convenience of paper money over coin and the smaller danger of its being counterfeited. But as these advantages would inure to the public and not to the bank, there is no inducement for a bank to pursue such a course.

Bankers who issue convertible notes are prone to inflate paper money, and to keep on hand the smallest possible amount of coin. They are in the position of a judge trying a case in which, personally, he has a large pecuniary interest. The system of convertible bank-notes thus violates the established principle that "human nature should not be tempted."

CHIEF OBJECTION TO SPECIE PAYMENTS.

Therefore the chief objection to what is called "specie payments" is the fact that it does not secure stability in the amount of the money in circulation. When the currency should be contracted, the bankers are prone to inflate it; and when they should increase it, they are apt to contract. They are governed solely by what they deem their own interest with little reference to what is best for the whole community. Before the war, the Connecticut State banks were considered as safe and strong as any in the Union; in fact, their notes stood much higher than the average. In 1861, when the Connecticut banks suspended specie payment, their reserve of coin was higher than their average reserve for the previous twenty-five years. Their coin, how-

ever, was only twelve per cent. of their paper. They could maintain specie payments only on condition that seven-eighths of their paper were not presented for payment.

HOW BANKS OF ISSUE RAISE AND LOWER PRICES.

When public confidence that prices are not likely to fall, and in the immediate future of business is high, there is little demand for coin, as there is then little use for it. The banks are then constantly tempted to issue more notes, as all the notes they issue draw interest, and this increases their profits. The issue of additional notes tends to cause a rise in prices. A rise in prices generates increased confidence in the future, and affords buyers an opportunity to make a profit by purchasing to the full extent both of their means and credit. This causes an increased demand for bank-notes with which to make these purchases and meet the credits when they fall due. Thus one cause reacts on another, until more or less excitement is produced. An increase of excitement increases the amount of buying and selling and still further raises the demand for bank-notes. Finally, some disaster occurs which alarms the public mind;—a rush is then made for coin and a disastrous panic is the result. The outstanding bank paper is not legal tender; and, as in a panic, nothing is good to pay debts with but legal-tender money, there is a fierce struggle to get legal tenders. This is intensified by the generally known fact that there is not coin enough to redeem all the outstanding paper, and therefore those who apply first will get coin and the rest will find that the bank has suspended payment. In the panic of 1873, the tendency of men, under such circumstances, to eagerly want legal tender was illustrated by the fact that greenbacks then rose to a premium of four per cent. over national bank-notes. A man bound to pay his note before a given hour, or fail, wants something which the creditor is legally bound to accept. This feature of a panic would be materially mitigated by making all the paper money a legal tender for all purposes. But in order to do that, the whole idea at the bottom of the specie payment

plan must be abandoned. We must adopt some other and more efficient mode of regulating and limiting the amount of paper money.

ESSENTIAL FEATURE OF SPECIE PAYMENTS.

Specie payments, so called, is nothing more nor less than a system whereby the amount of paper money is limited solely by the liability and obligation which the bank issuing it is under to redeem paper dollars with silver or gold dollars. Subject only to that check, there is no limitation whatever to the issue of an indefinite amount of paper money under the convertible note system.

Under our national bank organization, the issue of additional notes must be preceded by a deposit of additional bonds for security of the notes. But as these deposited bonds draw interest, this plan, while it affords another barrier against an undue increase of the circulating medium, presents nothing which obviates the chief objection to this mode of limiting and regulating the amount of paper money; viz., the diversity of self-interest between those who issue paper money and the public.

HOW BANKERS EVADE THEIR PROMISES.

A convertible bank-note is a promise on the part of the bank to pay its face value in specie on demand. How is this promise fulfilled whenever an active demand for coin exists?

The banks, knowing that their issue of paper money is greater than the amount of their coin, and fearing to trust either one another or the people, adopt what seems the safest course for their own protection, without any regard whatever for the interests of the public. They receive in payment their own notes as fast as current payments return them, and refuse to re-issue them for new discounts. This rapidly contracts the volume of the currency, increases the rate of interest and produces such a sharp demand for bank-notes with which to pay bank debts that the holders of these notes are more or less prevented from demanding

their payment in specie. Instead of freely paying specie, according to the intent of their legal and moral obligations, the banks resist it with all the means in their power, and often avoid a suspension themselves by making many of their customers bankrupt, simply through inability to borrow money for which they had ample security at the ordinary scale of prices.

Bad inflations and panics have repeatedly occurred under specie payments both in this country and in England. An especially destructive panic occurred in England in 1825. This was shortly after she had resumed "specie payments," and, as was fancied, had placed her finances on a stable basis. The years 1814, 1816, 1825, 1837, 1838, 1839, 1847, 1857 and 1861 are notable demonstrations of the weakness of the convertible note system. Many who have not examined the matter have imbibed the notion that England has had a stable currency since she adopted the gold standard in 1816. But in fact, no country has witnessed more frequent commercial revulsions.

The Bank of Glasgow has comparatively recently shown us the weakness and evils of the system called specie payments; it has practically demonstrated that the amount of paper money in circulation needs more efficient and certain means of regulation.

THE CHIEF EVIL OF SPECIE PAYMENTS.

The radical evil of so-called "specie payments" is, that under it the amount of money in circulation, and, consequently, the average scale of prices are placed in the hands of a comparatively few bank officers. By means of expanding or contracting their promises to pay, they can make money plenty, or scarce, and diminish or increase the rate of interest whenever their imagined self-interest prompts them to unite for a common purpose. Thus the power to change the meaning of the vast number of outstanding contracts, in form of debts, is practically placed in the hands of men whose conduct is guided, not with reference to the

welfare of the nation, but almost entirely with regard to their own narrow interests, as they see them.

WHAT OCCURRED IN 1857.

When the panic of 1857 began, the New York banks had in their vaults less than twelve millions of specie, and to retain this they made a desperate struggle. They kept up a steady contraction of bank facilities at the rate of a million dollars a day for sixty-six days. The rate of interest rose from eight to thirty-six per cent. per annum. Property shrunk enormously in value, and swift and widely-spread bankruptcy ensued. But even this severe blow at the people did not enable the banks to retain their coin. About the middle of October, four millions of specie were withdrawn and the banks suspended payment. The attempt to retain twelve millions of coin in the banks cost the nation, by stoppage of industrial enterprises, sudden derangement of business and loss of production by unemployed labor, at least one hundred millions, and careful writers have estimated the loss at three hundred millions of dollars.

The action of the banks in 1857 is not an exceptional one. The system of allowing bankers to issue promises which will be used as money, as long as times go on smoothly, and be generally presented for redemption in legal tender only when the business world gets alarmed, places such persons in a position of antagonism to the public. Self-interest prompts them to unduly contract their issues just at the time when such a course will greatly aggravate the existing troubles.

Having found that a bankers' mode of doing so will naturally and inevitably be adverse to the public welfare, we are warranted in concluding that the issue of money is not a proper function for a bank to perform. The chief object of government should be to so organize society that one class of persons will not have it in their power, without violating laws and subjecting themselves to severe penalties, to inflict great injuries on the rest of the community.

WHAT EXPERIENCE HAS SHOWN.

The world's experience has slowly but fully shown that the performance of any function or duty whatsoever, in which the selfish interests of those who perform it are often necessarily the opposite of the public good, should not be placed in the hands either of individuals or corporations. The people's interests should be in the hands of persons who are employed by the people, and are surrounded with such checks as to make their selfish interests identical with those of the nation. Many things which were once in private hands have during the past century been taken charge of by the public. Who but a few persons that might make money out of it, would wish to see the carriage of letters taken from the Government and restored to private hands? Formerly a considerable number of persons in every country were allowed to have private mints and issue metallic money. But this function has been taken charge of entirely by the sovereign power, and its advantages so clearly demonstrated that scarcely any one now thinks of a private mint. This has occurred because the selfish interests of private individuals or corporations are so often not in unison with the public welfare.

LEGITIMATE BANKING.

Legitimate banking consists of the purchase and sale of bills of exchange, the reception of deposits and the making of discounts, both with their own money and with a portion of the deposits. This is a proper and useful business for all parties concerned.

Our national banking system cannot be properly called "good," because it is based on a false principle. That it is better than State banks is not a sufficient reason for its existence. Measles are not as bad as small-pox but measles are not therefore desirable. National banks, although better than State banks, are not as good as no banks of issue whatever. The real question should not be evaded.

NATIONAL BANKS HAVE SPECIAL PRIVILEGES.

National banks are associations who receive special privileges from the Government. These privileges consist in the right to draw interest on their debts. Ordinary persons *pay* interest on their notes. The national banks *draw* interest on their notes.

Bank-notes are not as good as greenbacks. They are not a legal tender between individuals. The bank-notes are redeemable in greenbacks, thus showing on their face that they are inferior to greenbacks; for why should a superior money be "redeemed" in an inferior money? Much has been said to show that greenbacks cannot be money because they are a debt. Every national bank-note is a debt; it bears on its face the inscription: "The —— National Bank promises to pay." This promise is to pay in greenbacks. It is said that as greenbacks are a debt, they should be burned as soon as paid, because a paid note should be canceled. But those who propose this forget that, logically, every bank-note in like manner should be burned as soon as redeemed. This would soon leave us without any paper money at all,—a condition which no one advocates.

Attorneys of the national banks have had the assurance to state that holders of national bank-notes have greater security than holders of greenbacks, because the greenbacks might be repudiated; whereas the bank-notes are secured by United States bonds. It is true that the United States could repudiate the greenbacks. But it is also true that they could repudiate the bonds. As national bank-notes are redeemable in greenbacks, it follows that if greenbacks become worthless, the bank-notes will then be redeemable in worthless greenbacks.

The greenbacks are secured by the faith of the people of the United States which is pledged to receive them as a legal tender in payment of taxes, and as a legal tender in payment of debts. Their value is also secured by their limitation in amount, and by the people's willingness to use

them as a medium of exchange. The greenbacks bear no interest—hence their use has relieved the people of taxation for that purpose. Had no national bank-notes ever been printed, we could have issued more greenbacks and avoided issuing over three hundred millions of interest-bearing bonds.

Considerable ink has been used in showing the dangers of too many greenbacks. A national bank-note "inflates" as much as a greenback. But we do not hear lamentations over the amount of bank-notes!! The national bank-notes are printed at the expense of the United States Government.

NATIONAL BANKS ARE UNFAIR MONOPOLIES.

How can national banks be justly called monopolies when all persons are free to start national banks, and every one is at liberty to buy national bank stock?

Because the national banking law is a gift of the public credit; a gift of the use of the public necessity for paper money [which is public property] to the few persons who are in a situation to accept such gift and make it profitable. It is misleading to say there is universal liberty to own national bank stock,—necessity prevents all but a comparatively few persons from owning bank stock. For example, we have a Green in the center of this city. Every citizen owns a portion of that land,—it is public property intended for the use of all. Suppose the city authorities should say: "Any citizen can have a building lot on the Green, free of charge, *provided*, he build thereon a house worth $20,000. If this were, and could be legally done, a few men could thus get a lot for nothing; the Green would be taken up for building purposes to the detriment, and at the expense of the great majority who were unable to build such an expensive house. Is it not clear that the few persons who should thus appropriate the Green would be monopolists? Under legal forms, by virtue of their wealth, they would be taking an unfair advantage of the public, and appropriating

to their own use public property without giving an equitable consideration therefor.

The above supposed case would be a monopoly similar to the national banking system. While all citizens are *nominally* free to engage in the issue of paper money, according to the provisions of the national banking act, yet only a few can *actually* do so.

The majority are obliged to keep all their means invested in a farm or a homestead; or in the animals, buildings, machinery, or merchandise necessary to carry on their business. They have no surplus to invest in bank stock, hence they lose their portion of the value of the right to issue paper money, and are subject to increased taxation in order that those who are able to buy bank stock may get the benefit of borrowing money of the Government at one per cent. per annum. Government should be as simple and cheap as possible, and a great step in that direction would be taken by wiping out the whole machinery of officers and means whereby bank-notes are distributed to banks and the one per cent. tax collected thereon. Instead of handing notes over to the banks after certain formalities, and then paying men to watch the banks and collect its dues, the Government should issue all the paper money directly.

The issue of paper money by individuals and corporations is an *old usage*, but an abuse or a wrong is never made right by the length of time it has been committed.

A persistent attempt has been unfairly made to justify the special privileges of the banks, by the plea that they pay such a large sum annually in form of taxes. Suppose the farmers or the manufacturers should compute the annual amount of tax which they pay, and then say to the Government: "We pay so much tax; therefore, you should lend us money at one per cent. per annum." This would be no more absurd than the plea of the banks.

THE FLOW OF COIN.

The advocates of specie payments tell us that under such a system the amount of money in a country is properly

regulated by the automatic export and import of coin; that when there is too much coin, prices are so high that merchants export coin instead of commodities; that when there is a scarcity of coin, prices are so low that foreign merchants send in coin instead of commodities; that this flow of coin soon restores an equilibrium of prices thoughout the commercial world, and also supplies each country with just the amount of coin it needs; and, as convertible paper money is based on coin, therefore specie payments provides every nation with its proper amount of money.

This statement is not true unless made subject to several limitations. It is more correct to say that under specie payments there is a *tendency* for coin to ebb and flow as above stated, but that this tendency is often so antagonized by other forces as to produce comparatively but little effect. Sometimes these opposing tendencies cause the flow of coin to cease entirely, and sometimes they retard it so that it produces but little practical effect on commerce and prices for a considerable period of time.

All conditions are the resultant of two or more opposing forces which balance each other. Perhaps it would be more accurate to say that every occurrence—every natural phenomenon, or fact, is an indication of the result of a conflict which is taking, or has taken place between two or more causes acting as opposing forces, in different directions. For example, in obedience to the law of gravitation, there is a tendency for the moon to fall to the earth. Its centrifugal force has a tendency to project it into space away from the earth. The two forces are so balanced that the moon circles around us. Tendencies frequently have no effect whatever. There is a tendency for wind to blow down houses, but ordinarily it is not strong enough to overcome the inertia and resistance of the building, hence no effect is produced. Before a tendency can become effectual, it must be powerful enough to overcome or modify the existing conditions; and, in addition to that, it often needs to be strong enough to overcome new resistance and new opposing tendencies which its action has evoked.

Money ordinarily commands about twice as high a rate of interest at St. Paul, Minnesota, as it does in New York City. There is therefore a tendency for money to flow from New York to St. Paul until an equilibrium be reached. Money remains permanently, and apparently disproportionately, high in St. Paul, because the tendency to a level between its price there and in New York is opposed by another tendency, viz., the tendency of the money-lenders to keep their money close at home. The rate of interest is much higher in New York than in Amsterdam, Holland. This creates a tendency for Amsterdam capitalists to send their funds to New York. This they do to a limited extent; nevertheless, the rate of interest between those places remains different. The natural desire of capitalists to invest their funds within easy reach is strengthened by the fact that in places where money commands a high rate of interest it is ordinarily much more difficult, and often impossible, to securely loan large amounts of money in single sums.

RESULTS OF DRAINING AWAY MONEY.

In a country with a contracted currency, prices of commodities are too low and remain so until the proper increase of money occur. Theoretically, it is easy to see how such a nation can speedily supply itself with coin. It has only to stop all imports, except those of coin, and to export its cheap commodities in exchange for coin. But, practically, there are a host of obstacles which make such an undertaking a slow and difficult one. While these obstacles are being overcome, the value of property in that country is lowered by reason of forcible, arbitrary changes in the conditions under which it is placed; debtors are despoiled for the benefit of creditors.

The actual and threatened contraction of the currency in this country which occurred after 1873, lowered the prices of our farm produce so that America was the cheapest country for foreign nations to buy in. But several things precluded us from getting a speedy supply of coin from sales of farm products. A fall in the price of wheat in America has

a tendency to immediately depress prices of grain all over the world. This tends to create instant competition, at low rates, by other nations.

The amount and value of the articles available for export in a country are always very small compared with the total wealth and business of that country. This is especially true in regard to a nation like the United States, which has a relatively smaller amount of personal, and more real property, than an old country like England.

A general lowering of the scale of prices produces financial disturbance and depression of business. Whenever this occurs in one country, it has a tendency to disturb the industries of the nations with whom such country has a considerable trade. If one country cease to import goods, the country from whom they were formerly bought has less ability to consume and pay for commodities taken in exchange.

The amount of coin that any country can spare without financial disturbance is relatively very small, provided the nation losing its coin have what is called specie payments. When that small amount has been taken, the balance of the sum called for by foreign creditors, or trade, is paid either by commodities, by giving evidences of debt of the purchasing nation, or by returning the bonds of the selling nation. The latter has recently taken place, to some extent, to settle balances between America and England.

Importations can be diminished, but a cessation, even if possible, would produce great commercial distress. Some importations supply habitual comforts and luxuries, the absence of which would produce much popular discontent; while other importations are the raw materials without which the creation of wealth in various forms would be seriously diminished.

Massachusetts printed her first paper money in 1692. For fifty years before that time money was so scarce in that colony that cattle and grain were used and made a legal tender for taxes. During that period there was undoubtedly a tendency for coin to "flow" into Massachusetts, but other and stronger tendencies kept it out, except to a very

limited extent. The chief of these tendencies was the fact that the people were so poor that they did not feel able to afford the expense of gold or silver money. Capital was so deficient, in comparison to the demand for it, that it was more profitable to keep it invested in other forms and dispense with metallic money.

A UNIVERSAL NATURAL LAW.

This was simply an exemplification of the fact that whenever an individual, a community, or a nation is hard pressed in the struggle for existence, no matter what form that struggle may take, the things apparently least vitally necessary to carry on the warfare are naturally dropped first. Metallic money is a form of capital for which substitutes can be found more easily than for some other kinds of capital. Hence, a nation engaged in a war, so desperate that everything must be used with the greatest effect, always exchanges its metallic money for other forms of capital.

A country, as was the case with England in 1839, may be rapidly drained of its metallic money, because several nations simultaneously draw it away. But when once lost, its recovery is a slow and painful process, during which time real estate and other non-exportable things are at a disadvantage and sink to a very low price. At the same time great financial embarrassment exists among business men, especially among those whose capital is more or less borrowed, and this creates suffering among the laboring classes. A nation, under such circumstances, is in a condition similar to that of a man forced to raise money by selling his property at auction.

We are frequently told that a dollar is really worthless unless it is as valuable in foreign countries as in our own country. But persons who talk so might as well say that the laws of the State of New York are worthless because they are of no validity in South America or Asia. American laws, American schools and American money should be created for the best good of American citizens, without having special reference to the Hindoos, the Russians, or the Turks. It

is not desirable to have the bulk of our national money made of materials that are liable to be affected in value by commercial disturbances in other countries.

WHAT WE SHOULD ATTEMPT.

We need to secure the greatest attainable stability in the value of our money. The ideal dollar never changes in value. To effect this, we should, as far as possible, shut off possible causes of fluctuation.

In 1866 commercial failures for enormous amounts occurred in England and created a panic in that country. Had our currency been composed chiefly of gold we should then have been immediately involved in similar trouble. Owing to the fact that gold formed only a small fraction of our money at that time, this financial storm in London did not materially disturb business in New York.

A uniform steadiness in industrial enterprises and productive business of all kinds would be promoted by having the capital whose special function is to exchange and distribute wealth put in such form as to be free from danger of exportation. What would be thought of the sagacity of a machinist who should have the tools of his shop placed under the control of parties in London, Paris or Amsterdam? The money used by the American people bears the same relation to the industries of this country that a machinist's tools do to the workmen in his employ. Just in proportion as the tools are disturbed or taken away, the business of that shop is deranged. Just in proportion as the instrument of commerce, called "money," is disturbed or taken away, the industries of the country from which it is taken are deranged.

THE END TOWARD WHICH WE ARE TRAVELING.

We have heretofore found that the history of the development of the art of commerce shows a steady and irresistible tendency toward the final entire disuse of both gold and silver as money. We have nearly reached that point. The best authorities estimate that only about one-

half of one per cent. of the total exchanges made in London are effected by the use of metallic money. The rest are made with paper.

But nearly reaching a point and getting there are two different things. We are traveling inevitably toward the exclusive use of paper money but have not yet reached that point. Except as they may be educational means, our progress in that direction cannot be hastened by special measures, because it depends on, and must keep pace with the slow growth of intelligence in all other respects. Even if we could, it would not be wise to make undue haste because a metallic currency is the best, unless a nation has risen to a sufficient height of intelligence and morality to wisely use a better one; just as a strong despotism is best adapted to a people incapable of self-government, and of enjoying the blessings of liberty without falling into anarchy.

In all probability, the United States are nearly ready to take two important steps. First. A removal of the present limitation of the coinage of silver, and consequently, of the limitation of the issue of silver certificates. Second. The entire abolition of national bank-notes, and the issue of the same amount of greenbacks to take their place.

After the above measures have been a few years in force, the next step will be the adoption of some more efficient and reliable mode of regulating the amount of paper money than by its redemption in coin. The final measure will be the transaction of all business without metallic money.

How long time will elapse before the aforesaid events will happen no one can tell. But their occurrence is just as certain as the further development of the intelligence of the American people.

CHAPTER XV.

Franchises.— What a Patent is.—Patents may be used to plunder the Community.—What a Franchise is.—What a Railroad Franchise is.—Watered Stocks.

The people have hitherto given away valuable franchises. In the future, they will retain the ownership of all franchises and either use them directly or give leases subject to constant right of revision or cancellation.

Through their agents, the members of State Legislatures, the people annually vote away a considerable number of franchises. Most of these franchises are given without the people, to whom they really belong, being fully aware of the real nature of the transaction which then takes place. As some franchises are very valuable it behooves every voter to inform himself on this subject in order to guard his property from spoliation. A striking illustration of the necessity of this occurred a few years ago in this city. The voters actually cast a majority of ballots in favor of giving away, without consideration, a franchise for supplying New Haven with water which carried with it ownership and control of all the available water supply. On the day that vote was cast, said franchise was worth five hundred thousand dollars; and it is now worth much more than that sum. This happened in a city which fancies itself possessed of superior education and intelligence.

WHAT A PATENT IS.

A patent is an exclusive right to manufacture, sell, and use a certain thing. Patents are usually granted for only a few years, after which the special right of manufacture and sale is gone, and every one is at liberty to make and use what was previously protected by the patent law. A large amount of money is yearly spent in inventing things which can be patented, because the exclusive privilege of making

and selling a thing, especially if it be something which many persons want, often brings a large income to its possessor. This is so chiefly because no one can enter into competition with those working under authority of the patent while it is in force. No matter how unreasonably high the price of the patented article may be, nor how large the profits of those who make it, no one has a legal right to make a similar thing himself, even though it could be made for one-tenth part of its selling price. This removes those owning the patent from danger of others making the patented article and selling it at a reasonable profit.

PATENTS MAY BE USED TO PLUNDER THE COMMUNITY.

An invention which saves labor is an addition to the wealth of mankind, because by its use more wealth can be produced with the same amount of labor than with the means previously employed. But during the time for which the patent be granted, its owner can force the public to give to him a considerable portion of the wealth created by using the patented article. After the patent expires, the whole community shares the benefit of the invention. For example, sewing machines and machines for cutting grass and grain sold at exorbitant prices until their patents expired. Such machines can now be had for one-half or one-quarter the price once charged.

WHAT A FRANCHISE IS.

A franchise resembles a patent. It is a particular and special right or privilege granted by the Legislature to one or more persons to use, enjoy, and make profit from a certain property or thing. It usually differs from what we call "a patent" in this: It is granted forever and not for a few years only. A franchise, therefore, is not a patent which will end in seventeen years and thus thereafter let the whole people share its profits and benefits. It is a patent for all future time. When a city gives a water company the franchise of distributing water and collecting a water rate, it gives a perpetual patent to sell a prime neces-

sary of life. This folly will be less frequently committed when the nature of a franchise is more generally known.

Suppose a merchant could now, as in the middle ages, get the exclusive privilege of making, or selling cloth in a certain city. Then no other manufactory or store could be opened in that city without his consent. Even if his prices were not extravagant, such an exclusive privilege would be valuable because it would prevent competition at lower prices. Such an exclusive right would be a franchise for making or selling cloth.

The world has largely outgrown the practice of giving such franchises as the aforesaid. Formerly every business or trade which could readily be made the subject of a franchise was sold or given to a few individuals. It seems strange to us now, to think of a man having a franchise which gave him the exclusive right to grind grain into flour in a certain neighborhood. But it is only a comparatively short time since nearly every important occupation was made the subject of a franchise.

Franchises are now restricted to a comparatively few things. A few bankers still retain the franchise of issuing paper money. A few cities grant franchises to companies for the purpose of bringing water into those cities and selling it. But the great majority of franchises are now given to railroad, steam-boat, horse-car, and other transportation companies.

When a franchise is given to build a railroad, the owners of that franchise have not only the right to prevent any one else from building a road on the designated route, but they also have a legal right to take the property of any one they choose in the way of their road. It is truc, they are required to pay for the property so taken, but this payment is often inadequate compensation.

WHAT A RAILROAD FRANCHISE IS.

Railroad franchises, in many cases, are very valuable. Practically, they are a perpetual patent on one of the greatest inventions of modern times; viz., the invention of

building steam locomotives and laying smooth tracks on which to carry passengers and freight. The advantages of this invention are so enormous that competition by other forms of land carriage is practically impossible.

In the absence of restraining laws, the owners of this perpetual patent, have therefore got the power to do precisely what the owners of sewing-machine patents did a short time ago ; viz., charge exorbitant rates for letting the public use the invention on which they hold a patent. There are cases of railroads charging six dollars per ton for carrying grain eighty miles.

WATERED STOCK.

Within a comparatively short time a new scheme has been devised whereby the public are made to pay an usurious rate of interest on the capital invested in railroads, while at the same time it appears as if only a fair rate of interest were charged. This cunning theft is accomplished by issuing stock for much more than the cost of the railroad and then charging interest on all this fictitious stock. To prevent the legislature from enacting laws which will prevent such wholesale robbery, this watered stock is artfully sold to a considerable number of innocent persons. The proceeds of such a sale are then used for originating and completing another similar transaction. It is a curious fact that those who have grown rich by such conduct are nearly unanimously in favor of "honest money" ; *i. e.*, money which can most readily be used as an instrument for still further spoliating the toilers of the land.

Three facts prominently appear in regard to railroad franchises. First. It is an imperfect remedy for the mistake of giving them away, to sanction the building of parallel roads. Experience has shown this to be not only useless but an actual addition to the burdens of the community. Second. It is vain to trust that either the inherent honesty, or the self-interest, of railroad officials will lead them to forego opportunities to illegitimately enrich the railroad at the expense of the public. Such persons are

neither better nor worse than other individuals. But, as centuries of experience have originated and confirmed the maxim that "a judge should never sit in trial of a case in which his own interests may influence his decision," we are warranted in treating railroad officers as if they *might possibly* be led into temptation. Third. Franchises should be so granted as to insure the fullest and most immediate control by the people. In all controversies between the roads and the public, both sides should be fully heard by an impartial and intelligent tribunal. When a price is paid in consideration of a franchise, it should always be in form of a percentage of gross receipts instead of a sum which is given and received as full payment. This places the road under better control, and makes the public sharers in the increased business created by the labors of the public. In other words, the public should never part with the ownership of a franchise. When a disposition is made of it, other than operation by Government employees, the transfer should be by a lease which expressly states the right of the people, at any time, after reasonable notice, to revise its provisions or terminate it entirely. But all control of public facilities for transportation by individuals or corporations implies an imperfect state and organization of society.

CHAPTER XVI.

Interest of Money.—The Rate of Interest is too High.—Why Men pay any Interest.—Human Nature is Unchanged.—Capital is Necessary to Existence.—Free Interest.—The Difference between the Rich and Poor.—Different rates of Interest.

What proportion of the product of the union of labor and capital shall be paid to labor is largely determined by the rate of interest.

Let us suppose that Columbus when he discovered America had found a sovereign power competent to contract with him for the sale of the entire North American Continent. Suppose Columbus had made such a contract, and agreed to pay therefor his note dated in 1492, for one hundred dollars, drawing six per cent. interest, compounded semi-annually, and due in the year 1892. If such a bargain had been made, the successors of Columbus, when the note fell due would have found that all the personal and real property in Mexico, the United States and Canada which has been created and made valuable by the labor of millions of persons, insufficient to pay the debt.

When we compute the result of putting a large sum at interest for a comparatively *short time*, we find it similar to putting a small sum at interest for a *long time*. If the United States had allowed all the expenses incurred in the late civil war to accumulate at six per cent. compound interest until the year 1900, the bondholders would then have owned all the property in the country. Interest would have outstripped the accumulated savings of labor.

THE RATE OF INTEREST IS TOO HIGH.

The foregoing facts, and a multitude of kindred ones which could be adduced, show that *on the average* the rate of interest usually paid is much more than the average net

increase of the national wealth. In other words, *the average rate paid for the interest of money is greater than the average savings of those who borrow the money. That is: capital, on the average, gets more than a strictly equitable share of the product created by its union with labor.*

The question arises: Why does the average man pay a higher rate of interest than he can afford? Why do not the natural laws of trade reduce the rate of interest to a level with the earnings of the money for the use of which it is paid?

WHY MEN PAY ANY INTEREST.

A deeper question lies behind the foregoing. Before inquiring why men pay *more* interest than they can afford to, let us see why men pay *any* interest. Whatever diversity of opinions may exist in regard to some of the final conclusions of Darwin, Huxley, Tyndall and their co-laborers, no one doubts or disputes their statement that the earth from the earliest period to the present day, has been the theatre of an unceasing struggle among all forms of animal life. The existence of every animal is maintained only by a constant effort to adapt itself to the ever changing circumstances by which it is surrounded,—by unceasing efforts in self-defense or war with other species, and by continual struggles with other animals of its own race. What is true of the lower animals is pre-eminently true of man. History is merely a record of the struggles of the human race for existence,—it is the story of the efforts of man to unfold the secrets of nature, to make the elements his servant and not his master, and it tells us what fierce and unremitting war has been waged between man and man.

Germany and France are no less antagonists to-day than they were a few years ago. The *mode* of contest is all that has changed. England and France, in essence, are just as truly at war at present, as when Pitt controlled England and Napoleon ruled France; and England is still at war with the United States of America.

Instead of the rude violence of physical combat and open war, the arts of diplomacy and commerce are employed.*

Instead of organizing great masses of men for the purpose of obtaining mastery by butchery of their opponents, great numbers are now organized as workmen and artisans; the struggle for supremacy has taken a commercial and an industrial form. Each nation, if it could, would at once obtain the ascendency and reduce others to commercial vassalage. Between different parties, families, and individuals, a contest for mastery is always in progress. A constant struggle is made to secure the necessaries and luxuries of life, and in this race each one strives for his own personal advantage. There is a fight every day going on in our social and commercial life which is just as earnest as the feuds of past centuries when opposing families, and individual enemies sallied forth with ax and club to despoil and conquer one another.

HUMAN NATURE IS UNCHANGED.

Each century sees mankind more fully adopting better and higher standards of individual and national conduct. But the savagery of five thousand years ago continually crops out. Every baby is more or less a little barbarian.

* During the last thirty years, a subtle and far-reaching influence has been silently interwoven with the policy of many of our richest and most prominent colleges. A desire to please both the actual and possible donors of those institutions, and the rich men who send their sons for education, has had a powerful influence on the college faculties, none the less because exerted so quietly as to render them often unconscious of its force. Insidiously, those institutions have thus been so molded that the tendency of their teachings, the general drift of the social and political ideas they inculcate is to create a bias in the unformed minds of their pupils in favor of an aristocratic organization of society. As a natural accompaniment of such policy, a prejudice has been fostered against all doctrines and laws which favor an equitable distribution of wealth, and a social system based on democratic principles. The college atmosphere is permeated with the notion that the laws should be made and administered in the interest of the rich, and that all dissent from and criticism of the financial and social policy of England is evidence of ignorance and ill breeding.

Human nature is unchanged. When we read about the political manœuvers of Cicero two thousand years ago, we are forced to smile at their resemblance to the last presidential campaign. At present, powerful men in search of plunder instead of collecting a troop of savage horsemen, as they would have done 600 years ago, send a lobby to a State Legislature, or to Congress, to buy votes either directly or indirectly. Instead of providing a lot of mail and spears, they hire writers and lawyers. They control the channels of public information in their interest. By raising delusive cries and making false pretenses, they rob the people of valuable franchises, procure the change of contracts by cunning legislation, and plunder millions of people by monopolies.

The change is merely in the kind of weapons,—we now use the weapons of sophistry, trade and law—but the intention to beat, to outwit, and to rise above one another, remains. Man's natural inclinations are unchanged—he is selfish and he seeks to gratify his passions in whatever mode is most feasible.

CAPITAL IS NECESSARY TO EXISTENCE.

In this struggle for existence every self-supporting man is forced to engage. He may vary the fierceness and intensity of the purpose which animates him; but, if he would, he cannot entirely avoid the contest,—to some degree he must enter it. He can do but little with naked hands. He needs tools, means and weapons to carry on this unavoidable struggle. These helps are capital. Thus we see that every man, not already the owner of what capital he needs, must borrow it either directly or indirectly. This necessitates either the direct or the indirect payment of interest. Bodily necessity is thus the ultimate force which compels a man without capital to pay interest. He must lodge on some one's property, and for this privilege he must pay interest either directly, by borrowing the money which is the price of his lodging-place, or indirectly, in form of rent. Even if land could be had for nothing, capital would be re-

quisite to make it available. It is immaterial what the form of wealth is which is hired, or in what form payment of the hire is made. The essential thing which constitutes interest is the payment of value in consideration of the use of a certain amount of property for a given time. Capital is a tool for creating other capital, and for supplying ourselves with the comforts of civilization. Owing to the limited amount of capital in the market for hire, and the imperious demand which is created by the sharp conflict for the necessaries and luxuries of life, there is an eager desire to secure it. In this struggle, the *strong* naturally use their power to take advantage of the *weak*, and to force them to pay the highest possible tribute for the use of the means to obtain a living.

FREE INTEREST.

Many persons imagine true, the statement so frequently made, that "in the absence of laws the rate of interest is free." A man is "free" to go without the comforts and luxuries of life. In such a sense of "freedom," the interest of money without legal regulation is "free." In fact, men are obliged to pay interest, and a bargain, when one party thereto is under strong compulsion of some kind, is apt to be most in favor of the party not under an imperative necessity.

Under ordinary circumstances, with the help of money all other kinds of capital can be obtained. Hence, money is the form of capital which those who wish to supply themselves with various tools to aid their labor in creating wealth usually wish to borrow. When money is to loan, this form of capital is virtually offered for lease, and the capitalist, knowing that the amount of capital for rent is limited, and that there will always be a brisk competition for it, hires it only to the man who will pay most for its use, and be most likely to return it at the expiration of the time for which it is let. There are instances of capitalists preferring to loan money to the persons most in need of it. But such persons are exceptional and rare.

Persons who are capable, sagacious, industrious and economical can use capital to much greater profit and advantage than those who are weak, ignorant, unskillful, lazy and wasteful. Consequently, capital is worth more to the strong than it is to the weak, and therefore the strong can afford to bid a higher price for capital than the weak can really afford to pay. An intelligent, resolute man can often make a large amount of money by hiring capital at the average, or even the highest rate, of interest. The result of these things is this: the capitalist wants the highest attainable rate of interest, and the supply is so limited that the superior men would sometimes hire all the money if the inferior men did not offer the capitalist as much for it as their superiors stand ready to pay.

A single individual, a Vanderbilt or a Stewart, may be capable of devising such ingenious, comprehensive and far-sighted plans for making money that he can successfully employ all the capital he can obtain. Borrowers bid against each other. The average rate of interest is not what capital is really worth to the average man, but it indicates what capital is worth to the few superior men, and what rate the average man has been compelled to pay by his necessities. The rate of interest is not what the borrower can "afford" to pay, but what the lender can compel him to pay in hopes of averting still greater losses or evils.

In other words, *the average rate of interest is the amount which the strong can compel the weak, on the average, to pay for the use of money.*

The fact that capitalists prefer to loan money to those who apparently have great financial ability, tends to compel the payment of a high rate of interest. If a man in moderate circumstances offer a savings bank good security for a loan of three hundred dollars, the chances are that he will be unsuccessful. The bank officials *think* that his loan would make as much trouble as a larger loan. They generally *say*: "Money is tight; we have none for you." The borrower is consequently often obliged to pay a bonus to an individual in order to obtain a loan. But suppose an

able, wealthy financier should enter the same bank, immediately afterward, and should ask for a loan of $25,000. The reply would probably be: "Yes, sir, we are always happy to accommodate you."

THE DIFFERENCE BETWEEN THE RICH AND POOR.

Many persons suppose that the difference between the rich and the poor is due solely to the superior industry and economy of the rich. This is sometimes a partial explanation, but in a vast number of cases it has no application whatever. The fact is that those who are rich by their own acts, are in a variety of ways *stronger and more cunning* than the poor, and this gives them far greater power both of combining with one another and of controlling natural things for their own advantage. Moreover the rich, especially the *very* rich, are usually not only more avaricious than the poor, and persons in moderate circumstances, but they are also more unscrupulous and remorseless. They are generally shrewd enough to avoid legal penalties, but, tested by the Sermon on the Mount, there is no more dishonest and mean class of persons than the very rich men. Men like Peter Cooper are very rare. To-day, the expression, "Woe unto you rich men," has the same profound significance it had when Christ uttered it over 1800 years ago.

The charitable gifts of the rich are often cited as evidence of their goodness. But the merit of a gift is determined only by the sacrifice thereby occasioned the donor. He who defrauds society of five hundred thousand makes a poor atonement and restitution by giving one hundred thousand to a hospital or church. More justice and less charity would benefit the working classes. It is a common, but grievous, error for voters to imagine the political desires of the rich, *prima facie*, best for the welfare of the public.

DIFFERENT RATES OF INTEREST.

Whether a lender of money can oblige a borrower to pay more for its use than equity require he should, and, if so,

to what extent this injustice can be carried, depends on attendant circumstances. The scarcity of capital, the urgent necessity of legal tender wherewith to avoid still greater impending losses, the borrower's lack of pecuniarily strong friends, the number of persons competing for loans relative to the amount to be loaned, usury laws, and many other conditions determine these questions.

Thirty-five years ago, money in Iowa commanded 40 per cent. per annum interest. This was chiefly because the majority of emigrants to that State needed plows, wagons, axes, saws and kindred forms of capital wherewith to build their homes and improve their farms. Capital was scarce and the need of it, imperative. Money, the kind of capital with which all other kinds can be obtained, was scarce and in comparatively few hands. These few persons naturally took advantage of the situation, and demanded as high rates of interest as the borrowers could be made to pay. Interest in Iowa is now about one-fifth what it then was, because capital has become plentier, money is in a greater number of hands, and consequently the necessities of the people cannot be taken advantage of to the same extent as formerly. But the same principle exists now that did when interest was much higher. The rate of interest is still too high, because the lenders can still take advantage of the borrowers' necessities.

NOTE.

Alexander Del Mar, in his "Science of Money," tells us that the rate of interest depends on "the rate at which the means of human subsistence increase. Other things being equal, were this rate to double, the net rate of interest would double; and were the rate of the increase of subsistence to diminish one-half, the net rate of interest would diminish one-half."

The above cause, he tells us, "is the ultimate cause of a rate of interest." He next says "that the market rate of interest differs from the rate at which the means of subsistence increase, because the lender must charge an additional percentage to insure himself against the risk of losing the money, for taxes, and for labor of superintending the loan."

He then illustrates his propositions by stating that "in the United

States the increase of the means of subsistence is probably about $3\frac{1}{3}$ per cent., while risk, taxes on loans of money, and cost of superintendence combined, probably amount to $1\frac{2}{3}$ per cent. more, making the average market rate about 5 per cent.

The essence of this learned gentleman's essay on interest is that "the rate at which subsistence increases" is the net rate of interest which the lender of money should equitably receive for its use, and that, in fact, such is the rate which he actually does receive.

In the first place, Mr. Del Mar errs in stating 5 per cent. as the average market rate of interest in the United States. In fact, it is nearer six per cent. Mr. Del Mar probably reaches his conclusion by computing the money loaned in New York and a few other large cities "on call" as money loaned at the market rate of interest. But this is not strictly proper. Money, which the borrower is expected to return any day when requested by the lender to do so, is not completely loaned. It is not as fully under the control, and cannot be used with the same freedom as it could if the borrower had ample and secure time for its employment. There is a reservation of possession made by the lender when he loans it on call. That is, he reserves the right to take possession of his money any day he may elect. In fact, his control of money loaned "on call," with ample pledges given for its payment as specified, is virtually as absolute as if he had deposited the money in a bank ready to be taken out on any day by his check. In the latter case he trusts the bank will always honor his check and pay "on call." But when he loans on call, with pledges received for security, he does not trust any one; he relies on the pledges in his possession, confident that if payment be not made their sale will yield ample means of payment.

This is a far different condition from what exists when money is loaned for a considerable period of time. In that case, no matter how advantageous arising circumstances might make it for the lender to recall his loan on a certain day, he cannot do so. The money is beyond his control until the expiration of the time for which it was loaned. This latter condition is the only one which is a fair test of the interest of money, because it is the only way in which a loan of money can be fully and unreservedly made.

Mr. Del Mar's idea that the rate of interest is partially formed of a sufficient sum to pay the taxes on the money and the legal expenses of making the loan is disposed of by the fact that taxes and attorney's fees attendant on loans are almost invariably paid by the borrower.

One other claim of Mr. Del Mar remains; to wit, that an addition of at least one per cent. should be made to what he calls the "net rate of interest"; *i.e.*, the rate at which the means of subsistence increase, as insurance for repayment of the loan.

Suppose a farmer borrow $1000 for five years, for the purpose of

purchasing additional capital to cultivate his farm, and thereupon mortgages his farm, worth $5000, to secure its payment. Mr. Del Mar's idea appears to be, that inasmuch as the increase of the farmer's products is about 3 1-3 per cent., that is the rate of interest he is equitably called on to pay for the use of the money; and he should also pay nearly two per cent. more to insure the borrower that the money will be repaid. But the farmer has already insured payment of the loan by giving a mortgage on his farm. This is ample insurance of itself. In equity, why should the farmer insure the lender further? The farmer incurs all the risk of losing the $1000 by bad crops, fire, death of cattle, etc. The lender does not insure him against loss. Why then should the farmer pay additional interest to insure the lender further than the mortgage has insured him?

There is a comparatively small class of loans which are specially hazardous to the lender. In such cases a high rate of interest, or, in other words, an extra percentage as an insurance premium, is just. Loans on ships are an illustration of this. But the great mass of loans are made by giving mortgages on land or other good security for payment.

If we admit that the borrower should pay an addition to the net rate of interest, as an insurance, sufficient to cover the risk of non-payment, it by no means follows that this insurance should equitably be nearly two per cent. If one per cent. per annum could be generally received for insuring payment of loans, an enormously profitable business could be done by such an insurance company, in all of our large cities. One-half of one per cent. would be sufficient to amply insure payment of mortgage loans, and municipal bonds, in the greater portion of this country.

The fact assigned by Mr. Del Mar as "the ultimate cause of a rate of interest" has unquestionably a powerful tendency to produce a market rate of interest. But it is only *one* of several other facts which operate to determine the actual interest rate. The dominant factor is that above stated in the text; viz., the industrial and social war constantly carried on by each member of the community against all other members, and the necessity of capital wherewith to supply human wants and desires.

A very prominent cause of a higher rate of interest being paid than is earned by the money borrowed, is the fact that such interest is usually paid on only a portion of the debtor's total capital. Circumstances are such that it is supposed the loan will add largely to the productiveness of the capital previously possessed.

For example, a farmer has 150 acres of fertile land, well supplied with buildings, stock and farming implements of all kinds, except plows and wagons. Without these essential tools, it is impossible to advantageously cultivate the farm. Under such conditions, the farmer can pay a higher rate of interest than the creditor is equitably entitled to, and still

be far better off than he would have been without the means of buying needed tools.

The doctrine is usually taught that legal limitations on the rate of interest make the actual rate higher and thus increase the burdens of debtors. The repeal of usury laws is frequently asked for on the ground that it would help debtors by lowering the rate of interest.

But what class of persons is it that ask for the repeal of usury laws? If such laws resulted in greater profits to the money-lenders, would those persons want them repealed?

The repeal of usury laws is always asked for by the money-lenders under the hypocritical pretense that such a measure would lower the rate of interest. When the legal rate of interest is placed at six per cent, no legal obstacle is thereby presented to lending money at a lower rate.

A few years ago, the Connecticut Legislature was persuaded by charlatans that a repeal of the usury law would at once prevent the flow of capital from the State, make money plentier and thus lower the rate of interest. The experiment was tried. The result was an immediate attempt by the money-lenders to compel payment of higher rates. In the majority of cases they were more or less successful. Instead of six per cent., money loaned at seven, eight, nine, and sometimes twelve per cent. per annum. A re-enactment of the usury law restored the former conditions.

Capital, unless dishonestly got, represents savings. Savings represents industry and economy. A fair rate of interest to capital is an encouragement to industry and frugality, and therefore conducive to the public welfare.

But in order to be equitable, the rate of interest should not be greater than the relative earnings of the capital thus combined with labor. In fact, the lender receives more than such an equitable proportion, in a multitude, if not in the majority of instances. The borrower often becomes bankrupt in consequence. Thus the goose that laid golden eggs is sacrificed to greed. A portion of the principal is lost by trying to get an unfair rate of interest.

The actual difference, in the burden upon the debtor, between three, four, five and higher rates of interest is not usually recognized. If three per cent. be the average net earnings of labor and capital, the average borrower is not injured at all by payment of three per cent. interest. He derives the same benefit from the use of the money that he pays for it. But if he pay four per cent., the benefit received from the loan is paid and one third more. But five per cent. interest takes two thirds more than the advantage of the loan from the debtor. The actual expense to a debtor of a five per cent. rate of interest is therefore twice as great as a four per cent. rate.

The aforesaid principle is true of the payment of all rates of interest above the earnings of the money on which it is paid. The burden of in-

terest is measured by its excess over the profit derived from the loan and not by the total rate.

A debt is not necessarily a burden; it may be a source of profit. Persons have grown rich from the income of their debts. If the income from what constitutes a debt exceed the interest paid thereon, the debtor reaps an advantage from being in debt.

When a banker owes his depositors five hundred thousand dollars, on which the total expenses are one half of one per cent. per annum, and keeps four hundred thousand of this money loaned at six per cent., he is getting a net income of twenty-one thousand five hundred dollars annually from his debts. When a national bank borrows five millions from the government at one per cent. per annum, and keeps four millions loaned at five per cent., it derives an annual profit from its debt of one hundred and fifty thousand dollars.

Usury laws should discriminate between loans amply secured by mortgage on real estate, or by pledge of bonds or similar ample security, and loans resting entirely on personal promises. The rate of interest on good mortgage, or similar security, ought not to exceed four per cent. per annum; and loans on personal security, not over five per cent. per annum. Such measures would increase the probabilities of the borrower's success in business enterprises, and would therefore diminish the aggregate of loaned money lost by bankruptcy of debtors. The whole community would thus be benefited by fair dealing.

CHAPTER XVII.

The Relations of Capital and Labor.—Need of more Capital than before Expensive Machines were used.—Mistaken Ideas about Freedom of Trade.—Patent Laws cause an Inequitable Distribution of Wealth.—Nature of the Antagonism between Capital and Labor.—Different Interests produce Different Conduct.—Why Laws were Created.—Why Laws should Continually Change.—Contention between Labor and Capital should be settled by Law.—Origin of Law.—Further progress is Necessary.—Ought every Man be Allowed to Do as He pleases.—A Dangerous Doctrine for the Rich to Preach.—What should be.—Rise of Rents.—Hours of Labor.—Comparison with a Hundred Years ago.—Is Equity being done?—Free Trade is Possible only when Both Parties have Liberty of Choice.—How Workmen may Rob Employers.—When Free Trade occurs.—What a Good Bargain is.—Laws are Outgrowths of Human Necessity.—Siege of Paris.—When Laws need Revision.—Test of the Wisdom of a Law.

With what tranquillity and calm resignation we all bear the losses and sufferings of others.

To a large extent, capital represents the labor of past generations. It may be called dead men's labor, because a large portion of it was created by men now dead. This fact, in the continual struggle between capital and labor, gives an advantage to capital. Capital represents the dead laborer. Labor is represented by the living workman. Capital needs protection from rust, fire and decay; but, unless in form of living things, it does not need food, warmth and clothing. Labor must have food, shelter, warmth, and clothing; it cannot wait a year, a month, or a week; it must have them constantly or perish from cold and starvation. Capital is not in need of daily sustenance. Dead muscles need neither food, drink, or shelter; and therefore capital, their representative, can lay its plans for the future and wait. It knows the living muscles must be fed and that imperious necessity will forbid their waiting in idleness. The labor of the dead thus often gains a victory over

the labor of the living;—the lifeless hand is most potent, —it places fetters on the one throbbing with warm blood.

The man who keeps his capital secure, but idle, loses only the profits he might have made from its use. The poor, idle workman loses his entire capital every day of his idleness. Capitalists often lose large sums as the result of strikes; but the damage to the idle workmen is usually relatively larger.

NEED OF MORE CAPITAL THAN BEFORE EXPENSIVE MACHINES WERE USED.

Comparatively little labor can be done with naked hands. A tool of some kind is usually needed, and this tool is capital. A man who cuts grass or grain with his own tool needs a little capital if he use a common scythe to perform the work. He needs much more capital if he use a team of horses and a mower or reaper. This is why labor-saving machines tend to give capital an advantage over labor. Some of them are very expensive, and so efficient that a workman who should undertake to compete therewith, by hand labor, with a few simple tools, could only earn from one to five cents a day. This puts the man with nothing but his bare hands at a greater disadvantage to the capitalist than he was two hundred years ago. Labor has always needed capital; the changes wrought by new inventions simply make it imperatively necessary for labor to use a *larger amount* of capital in the performance of a certain service, in order to successfully compete with those who are supplied with improved tools. In the end, new inventions benefit the laborer, but there is a stage in their history when they can be used as instruments to increase the profits of the rich, and to unfairly lower the wages of the poor.

The enormous advantage given to capitalists by the invention of expensive machinery which renders hand competition utterly impossible is increased by our patent law system. In the majority of instances, inventors lack the requisite capital to utilize their patent after it is obtained. In most cases the result is the sale of the patent, at a nomi-

nal sum, to a capitalist, who is thereby enabled to monopolize the manufacture of a particular thing. No matter how large his profits, nor how necessary to the progress of society his goods may be, the whole power of the Government is marshaled to prevent any one from interfering with his exclusive privilege. The owners of patents are thus often enabled to levy an enormous tax on the nation. At the same time the wages of their operatives may be low, and many persons who formerly earned fair wages in the same kind of industry with the old and inferior tools are thrown out of employment.

MISTAKEN IDEAS ABOUT FREEDOM OF TRADE.

It has been said that every one is "free" to buy patented goods or not, as they choose. But, in fact, the majority are compelled to buy, either the patented machine which performs a certain service at a diminished cost, or the cheapened article manufactured therewith.

Suppose there are ten dealers in tin-ware in a certain city, and a machine be invented wherewith one man can perform the labor in making tin-ware which previously required the work of six men. When one dealer buys one of these machines and puts it at work, all others in competition with him are forced either to buy a machine, to buy the goods made by the one in operation, or be made bankrupt.

PATENT LAWS CAUSE AN INEQUITABLE DISTRIBUTION OF WEALTH.

The great wealth created in England as a result of improved machinery for working iron and making cotton and woolen goods was not equitably distributed among the workmen whose toil created said wealth. On the contrary, an English historian tells us that from 1780 to 1820, the period when some of the greatest inventions were cheapening the manufacture of goods, the English laborer fared relatively worse than at any time for six hundred years.

An inventor is a benefactor of society. He should be well and liberally paid for his mental and physical labors,

and for the expenses incurred in perfecting his invention. But this compensation should not be made in such form as to prevent the benefits of the invention from being at once shared by the whole community.

NATURE OF THE ANTAGONISM BETWEEN CAPITAL AND LABOR.

What has been heretofore said about the interest of money applies to the general relations of capital and labor. It is undeniably true that to a certain extent they are mutually dependent on each other, and that there *should be* an equitable and a harmonious union between them. But, as a matter of fact, this condition generally exists only in the imagination; each seeks its own welfare with little regard for the interest of the other.

Much has been said about the identity of interest existing between labor and capital. But in fact their interests are very far from being identical.

It is true that it is not to the selfish interest of either to force their opponents into so hard a bargain as to utterly destroy all power or desire to fulfill any part of it. It is not to the interest of capital to force labor into starvation or insurrection. It is not to the interest of labor either to destroy capital, or to prevent it from receiving any share of the profits of industrial enterprises.

Perhaps it would be more accurate to say that there is an imaginary point at which the just dues of labor and the profits of capital would be both satisfied in a manner at once equitable and expedient. But, while such an ideal harmony may exist, the interests of capital and labor are far from being identical *as the opposing parties understand them.*

The average capitalist will tell you that his interests and those of his employees are the same; but when called on to state those interests, he will define them differently from his workmen. The laborer will perhaps tell you the same thing. But he too, if asked what those interests are, will state them differently from what his employer would. The

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slave-holder never had any doubts about the harmony between his interests and those of his slaves; but the slave had a different view of the matter. To-day, the rich and privileged classes of England regard their interests as identical with those of the multitude of poorly paid and poorly fed laborers; but the toilers look on those interests in a far different light from those who are not making a painful struggle for the bare necessaries of life. The privileged classes suppose there is harmony when matters are arranged to suit themselves, without consulting others whose rights may be sacrificed thereby.

The rapidly growing army of young men and women in the United States who have never earned in their whole lives the bread they consume in one day, will talk about their interests being identical with that of the farmers and mechanics. But this identity, they usually imagine, consists in living a life of ease and consuming the products of others' toil. They fail to see that labor is not always an amusement.

Capital and labor have always been at war with each other. They are natural antagonists in the sense that buyers and sellers are. A seller naturally tries to obtain the highest attainable price; a buyer seeks to get what he wants at the lowest possible price. Comparatively few persons are governed by considerations of equity; the majority are guided by selfishness, and this is often so blind as to overreach itself and defeat its own objects. This is true of multitudes who imagine themselves governed only by the highest principles of religion and morality. In fact, some of the hardest, meanest and most grasping persons in the world are found among those who pride themselves on their strict rectitude.

An employer is a buyer of labor and a seller of money. He does not usually ask: What is just? His selfishness prompts him simply to inquire how low wages he can name and get the required services. A workman is a seller of labor and a buyer of money. He naturally tries to sell his labor as dearly as possible and to buy money as cheaply as

he can ; his conduct is usually controlled by the same motives that influence his employer. There is not one kind of human nature for one class, and another kind of human nature for another class. Legal regulations are necessary to prevent opportunities to commit wrong from being translated into actual injustice by all classes.

We have heard much about the wickedness of arraying labor against capital. They are already arrayed—their warfare is merely one phase of the struggle for existence which has always taken place between one animal and another. Nothing is gained either by ignoring or misrepresenting existing facts. In several ways, during recent years, moneyed capital has carried on an organized, aggressive and successful campaign against labor and other kinds of capital. Many think that right, who are horrified at the idea of labor combining against capital ; their notions of morality depend on whose ox is getting gored.

If money-lenders have a right to advance their interests by organizing a trade union under the name of a "Bankers' Convention," have not brick-layers a right to form a Union for the protection of their interests? If stove dealers have a right to combine and fix the price of stoves, have not those whose labor creates those stoves an equal right to combine for the purpose of fixing the price of their labor?

But a little reflection shows that the organization of different interests and trades for mutual help, and for protection against the aggressions of other persons and organizations, is founded on a radically false principle. One class, one trade and one interest can undoubtedly, in the outset, promote its individual prosperity by "organizing." But other and opposing organizations will soon be formed; and this process may continue until every separate trade, class and interest in the entire nation has what is called "an organization." Society, as a whole, will then be back to the point from which the first combination started, with, however, an essential difference; viz., the great expense of maintaining a multitude of organizations which are of no benefit whatever, except to those who draw salaries.

The true way is to make the laws and their execution broad and just, and dissolve all combinations of particular trades or persons. Every citizen should have equal rights and protection, not from a class organization, but from the justice of laws covering every person and place.

DIFFERENT INTERESTS PRODUCE DIFFERENT CONDUCT.

Many well-meaning efforts to equitably adjust the relations of labor and capital have failed because made from the wrong standpoint, viz.: On the theory of their natural harmony. Persons with similar interests naturally fraternize with each other. There is no need to effect harmony, if it naturally exist.

Animals with similar interests live together peacefully. Quail do not quarrel. But the interests of some animals conflict with the interests of other animals, and even with those of their own race. How would a man succeed who attempted to persuade a fox and a flock of quail that their interests were harmonious? The interests of different classes of persons are often nearly as diverse as the interests of a fox and a quail. The only difference is this: The fox wishes to live by eating the quail. One class of men wish to live by eating the fruit of other men's labor. In both cases, one animal has a view of his interests different from the opinion of the other animal.

No progress can be made in the settlement of any question until the fundamental facts and principles are recognized, just as they are. Nothing is gained by assuming a state of things which has no existence. We must recognize that a hog and a man have many traits in common, before we can make substantial progress in adjusting the relations of capital and labor. Moreover we must remember that the selfishness of *all classes* needs restraint. Whether a person be a capitalist or a poor day laborer, he is always simply a man.

WHY LAWS WERE CREATED.

In an open fight between persons or parties of unequal strength and power of endurance, the probabilities are that

the weaker must inevitably succumb to the stronger, no matter what form of contest may take place. It therefore necessarily follows, that in all forms of war the few strong will become masters of the many weak, by beating them one by one. But by combining together, the numerous weak can create a force capable of controlling, and if need be, subduing the small number whose individual strength is above the average; and who, if left "free" to follow their own inclinations, will surely encroach upon the rights of others, weaker or less cunning than themselves. Such a combination states what it deems equitable between man and man, and most conducive to the best interests of the whole community. These statements are called "laws," and are made in a negative form. Instead of defining the conduct that centuries of experience have pronounced the best, laws are enumerations of acts which the aggregate wisdom of mankind have found adverse to the well-being of society. All conduct and acts not thus designated and prohibited by various penalties being attached to their commission, are presumed proper to pursue and commit.

WHY LAWS SHOULD CONTINUALLY CHANGE.

The enormous amount of legal literature in the world has grown from the action of two forces. First. The necessity of devising some means to prevent individuals with unusual strength, cunning and selfishness, from preying upon the rest of society. Legislation has been enacted for the purpose of encouraging such persons to devote their energies to harnessing the forces of nature in the service of mankind, and thus creating new wealth; and discouraging them from acting the part of beasts of prey, and, in a great variety of ways, living on the wealth created by and justly belonging to other persons.

Second. The continual changes in the conditions surrounding mankind incident to their increase in numbers, and growth in knowledge of morals, science and art, have incessantly created new and different opportunities for men to plunder and oppress each other. Many laws well adapted

to restrain and regulate the conduct of mankind a thousand years ago, would be of no service now. We have outgrown them. New conditions have arisen which those who enacted the ancient laws did not have before them; and, therefore, by no possibility could frame laws suitable for the development of a human intelligence, and a state of society of which they had not the faintest conception.

The principle underlying all laws fit to be made, is precisely the same in all ages of the world; viz., the encouragement of virtue; the discouragement of vice. But the means best fitted to carry out this principle must be adapted to the conditions under which a society governed by law exists. As these conditions are constantly changing, unless the laws change with them, they become more or less inoperative, and often become instruments of oppression; thus reversing the result for the attainment of which they were originally enacted. *The development of law should therefore keep pace with the development of man.* Those who resist changes in laws, no matter to what subject those laws relate, are resisting human progress. They are endeavoring to keep a growing and developing world clad in the garments which it has outgrown.

CONTENTION BETWEEN LABOR AND CAPITAL SHOULD BE SETTLED BY LAW.

Therefore the best way to adjust the contention of capital and labor is a resort to what centuries of experience have shown is the best mode of settling all other kinds of strife which grow out of the tendencies of human nature; viz., legislation adapted to the existing conditions. A considerable portion of our laws relative to finance, labor and capital are unfited to our present stage of development. The discoveries in science and inventions in art which have recently occurred, have wrought great changes in our modes of creating and distributing wealth. As an inevitable result, the laws created with reference to former conditions are unsuitable, do not conform to the facts, and are inadequate to meet the requirements of the present state of affairs.

ORIGIN OF LAW.

In past ages there was little law. The strong could, and did abuse, rob and enslave the weak with impunity. Law began when two or three comparatively weak men combined to resist the injustice and wrong of one stronger man. The slowly growing reign of law has displaced anarchy with order. Man's tendency to use superior physical strength for the purpose of plundering physical inferiors has been curbed to a great degree by laws directed against such practices. It has also partially protected the mentally weak from the selfishness of the mentally strong. The pecuniarily weak are likewise partially protected from the rapacity of the pecuniarily strong. Schemes to commit robbery without overt violence, to a considerable extent are placed under the ban of the law.

FURTHER PROGRESS IS NECESSARY.

But we need to take further steps in the direction we have been traveling for thousands of years. Our laws must be altered to conform to our altered conditions. True conservatism consists in constantly maintaining and preserving the proper equilibrium of the various portions and forces of society. This can only be accomplished by so changing our social and legal machinery as to keep them constantly adapted to our industrial, intellectual and moral development. If we would, we cannot arrest the progress of mankind. We must recognize it as a fixed fact and conform our institutions to supply its steadily changing needs and demands. Therefore, before we can intelligently devise means for curing the present contention between capital and labor, we must first study the changes which have occurred in the conditions under which those two forces are placed. Meanwhile, we should repress all conduct which, although apparently peaceable, savors of violence, because of its being a summary disturbance of existing conditions. We should hasten slowly. The natural and safe method of social development is to cautiously take only one forward

step at a time. A law should prevail in every State which would prevent an employer from discharging or reducing the wages of a regular employee, without first giving thirty days' explicit notice thereof. The same law should prevent an employee from demanding a higher rate of wages, or quitting work without first giving his employer thirty days' notice of such intention. Such a measure would prevent either party from being taken by surprise, as often now happens. By affording time for reflection and discussion, it would avoid much ill feeling, as well as pecuniary losses to both sides.

OUGHT EVERY MAN BE ALLOWED TO DO AS HE PLEASE?

In the outset of considering what measures to adopt in order to create and preserve the proper relations between capital and labor, the question arises: What end should be sought by legislation?

Much affectation of "science" is made by the advocates of "free trade" and "let alone." It is claimed that these doctrines are right because they are in harmony with the great natural law of the "survival of the fittest"; and, if all legal restraints were removed, each man and each nation would naturally take the place designed for him or it. These persons think all usury laws should be repealed, the lender allowed to charge whatever interest he can get, and that no tariffs should exist to protect weak manufacturers from established and powerful monopolies.

Volumes of so-called political economy have been written, based on the idea that there should be "unrestricted freedom of action" between men to make whatever bargains could be made, and that such contracts when made should be enforced by the whole civil and military power of the nation.

The principle underlying these doctrines ignores all moral obligations of one man, or one nation, to another. It is the brute idea that the fact of one man, or body of men, having superior mental, physical or pecuniary power confers on that man, or that body of men, the natural right to use that

power for his, or their selfish purposes, regardless of the sufferings thereby inflicted on weaker men or weaker nations. If this principle be correct, the slave-holders were right. For if one race have superior power to another, why not allow them to use that power as to them appear best for their own interests ? " The interests of the weak and the strong, of labor and capital are identical. *Why then not trust the strong to do as they think best with the weak ?* Why not let nature take her course ? "

A shark wants " unrestricted freedom," as he understands it. The same is true of tigers and all other beasts and birds of prey. A wolf does not want to be " limited " to the amount of mutton necessary to a meal—he wants " unrestricted freedom " to slaughter and suck the blood of a score of sheep at once. Men whose superior physical, intellectual or pecuniary strength, give them advantages over their fellows are prone to desire " unrestricted freedom," and often to unconsciously persuade themselves that the doctrines of the fishes of the sea are true political economy.

Carried to its logical conclusion, the doctrine of " unrestricted freedom " is the gospel of anarchy. Its advocates stop at what they call the " police line." But if such ideas be true, why should we have police ? Why not let every one take care of himself and enforce his own rights without calling on others for help ? Why should a person holding such views call on the civil authorities to enforce the contracts he may have made with others ? Furthermore, if a person have a natural right to " unrestricted freedom " has he not the right to cancel a contract whenever he thinks his interest would be promoted by so doing ?

If we admit these notions, it follows that universal suffrage is wrong. A few men should be allowed to seize and hold the reins of power. It also follows that a strong nation has a perfect right [as England has repeatedly done] to reduce weaker nations to industrial, commercial and pecuniary servitude. It further follows that the weaker men and nations have no natural right to use such defense as may be had by legal organization or by combination with

each other. They should quietly submit. "Why were some men made stronger in body or mind than others, if they have no right to use their strength as they see fit?"

These ideas, incorporated into deeds are, in fact, a return to barbarism—to the selfish principle of "every man for himself." It is none the less so, because the proposition is to spoliate by the weapons of trade and law instead of the old method of open robbery by physical force. Wealth got by usury; by legislative changes of contracts, such as the Coin Act and the demonetization of silver; by oppressive uses of capital in form of monopolies; or, by hard bargains of any kind wrung out of the necessities of those whose circumstances force them to submit, is obtained by the same spirit which actuated the petty chiefs of the Middle Ages when they sallied forth with armed retainers to plunder a fertile valley. Robbery by the means "respectable" in the nineteenth century, is as criminal as robbery by the modes which were "respectable" in the ninth century.

A DANGEROUS DOCTRINE FOR THE RICH TO PREACH.

At first sight, it seems to the interest of the rich, the cunning, the strong and the skillful to have all restraints upon their conduct removed. But there is another side to the doctrine that "the strong should be free to follow their own instincts," and that it is best to "let every one follow and gratify his ambition in his own way." The moment the doctrine is fully established and understood that superior power to do or carry out a particular thing or policy confers a just and natural right on such person or persons to so act, the capitalists of the country are in immediate danger of having their property taken from them by laws backed by physical force. The number of the rich capitalists is small compared with the rest of the population. Suppose the laboring classes should say to them: "You say that might gives right; we accept your doctrine and challenge. Although a hundred of your number have greater resources, and therefore are stronger than a hundred of us, yet we can

exceed your strength by a combination of our superior numbers. We will combine at the polls and make laws which will show you that if superior strength give privilege, we have the right to control your property, just as you have heretofore controlled our labor."

The danger of the doctrine of "freedom of contract" between man and man, is not an imaginary one. It is true there is no danger to the few capitalists who act on such a doctrine so long as the masses of voters can be hoodwinked by false cries, as they have often been heretofore. But that this cannot be repeated indefinitely is perfectly certain. Sooner or later the laboring classes will more fully understand their power, and will mostly vote as a class, and then the evil of the aforesaid false doctrines will appear to those who now exalt them into high moral principles.

The true doctrine is that neither power of wealth nor power of numbers should be used to perpetrate wrong or injustice toward any person or class whatsoever.

"*These things I command you, that ye love one another.*"

WHAT SHOULD BE.

Statistics have been adduced to show that the masses ought not to complain of the present hard times because a laborer can now obtain more of the comforts of life for a week's wages than he could fifty years ago. But why stop at fifty years? Compared with five hundred years ago the people are highly prosperous and get high wages to-day. Compared with the dark ages, the common laborer can now live like a prince;—he can have glass in his windows;—can have books, newspapers, and a hundred other things which were then almost unknown. A thrifty mechanic who owns his homestead can now live in a style far superior in many respects to that of Henry VIII. of England.

We can now raise wheat, corn and other farm products with less labor than before the invention of the present perfected farming implements; but that constitutes no reason why the profit and advantage of this increase of knowledge should go to a few rich persons instead of benefiting

the farmers themselves. We can manufacture cloth and a great number of other necessaries and comforts of life with more ease and less labor than was formerly required to make a poorer quality; but that forms no reason why the machinery of to-day should benefit only a few. If the doctrine that the masses should now be content to work as hard and fare as rudely and poorly as their ancestors did fifty or a hundred years ago, be true, then it logically follows that they should be willing to go still further back; to return to the barbarism when mankind lived in rude huts, were clad in the skins of beasts, had none of the comforts of civilization and were almost destitute of education. This they should be contented to do, in order that a favored few should monopolize all the results of the toil and thought of a hundred generations.

RISE OF RENTS.

More of many of the various necessaries and comforts of life can be bought with a week's wages now than could be had for the same labor two hundred years ago. But it is also true that as a general rule rent costs enormously more now than then. In fact, a large portion of the average workman's wages is absorbed in payment of rent, and this goes on accumulating against him when he is idle. The great rise in the value of land in cities is the chief cause of crowded tenements, insufficient light and air, and other evils. Large numbers of workmen live upon land for which a rent must be paid out of all proportion to their wages.

The question is often asked: Why do not the workmen in cities live in the suburbs where rent is cheaper? Partly because they cannot afford to. Most workmen cannot begin work at nine o'clock, as some other classes do. They must be at their place at seven o'clock in the morning, and remain until six in the afternoon. The cost of fare and time would be usually greater than the increased rent of a tenement nearer the workshop.

The problem of supplying workmen with comfortable homes at a moderate cost, from which their work can easily

be reached, chiefly involves four things. First: the spread of our cities over larger areas of land; thus moving shops to open spaces where land is cheap. An obstacle to this, and a very serious hinderance to better social and sanitary conditions among mechanics and factory operatives, is the fondness of many of them for living in the most central and densely populated section they can find. Measures should be taken to discourage the herding of great numbers within narrow areas, and to encourage the supply of each family with abundance of air and sunshine. These agents disinfect the moral as well as the physical atmosphere.

Second. Greater facilities for cheap and rapid transportation of goods and passengers from one portion of a city to another. This can be furthered by the municipalities making a wiser use of the street franchises.

Third. A reduction of the price of rent. This depends largely upon a reduction of the rate of interest paid for the use of money. Another important fact is that the rent of the cheapest grade of tenements would be from ten to twenty per cent. lower, if their occupants would learn, as far as possible, to do precisely as they agree, and take good care of their landlord's property.

HOURS OF LABOR.

Fourth. Reduction of the time of labor to nine hours a day. This would be allowing a half hour in the morning and evening for the workman to go to and from his work. But it should be borne in mind that the number of hours a man should work in a day depends somewhat on the number of such days' labor in a year. Those whose labor is uninterrupted, month after month, cannot advantageously work as many hours in one day as those who have frequent periods of idleness.

The total amount of work which a man shall perform in a day and the number of hours he shall be engaged in labor are two distinct things. By incessant and rapid labor for eight hours more work may be accomplished than by more leisurely labor for ten hours; and the strain upon the phys-

ical strength of the laborer occupied for ten hours may be much less than that upon him compelled to severe exertion for eight hours. Therefore, the most we can say about the relative tax on a laborer's energies from working eight or ten hours per day, is that, other things being equal, ten hours' labor are a severer tax than eight hours' labor. Such problems, like many others, depend on circumstances and facts for their proper solution.

If a man must do a certain amount of work in a day, what number of hours can most advantageously be devoted to its performance? It is certain that the total amount of labor exacted of a workman daily should not be so great as to injure his health, or his reasonable enjoyment of life. This implies moderate labor for such portion of time as will leave him ample time for sleep and a reasonable opportunity for recreation and self-improvement.

A reasonable division of the twenty-four hours is nine hours' labor, nine hours' sleep,* three hours for meals and incidental time, and three hours for recreation and improvement. If such a system be followed continuously a large amount of work can be performed in a year. It is the uninterrupted labor which shows the greatest results. Spasmodic industry produces comparatively little. Of course, such a division of time is entirely impracticable for farmers, sailors, and many other classes of workmen whose hours of labor are largely dependent on the vicissitudes of the weather and upon the peculiarities of the work to be performed.

COMPARISON WITH A HUNDRED YEARS AGO.

It is undoubtedly true, that if a mechanic earning the average wages now paid were to live in the style mechanics lived two hundred, or one hundred years ago, he could, in a few years, save money enough to buy a building lot and

* An enormous amount of insanity and various other forms of nervous disease are due to insufficient sleep. As a general rule, each person should have all the time for sleep that he is able to sleep, without special reference to the number of hours so occupied.

erect a cottage of his own. But those who point this out forget that the man of to-day is surrounded by circumstances entirely different from those which environed his ancestors. An ox is contented when he has plenty of food, drink and a comfortable shelter from the cold. What other oxen may or may not have makes no difference with his contentment.

A man's nature differs from that of an ox. His contentment depends as much upon what his associates have as upon what he has himself. Those who served in the civil war can remember the many times when thousands of men, accustomed when at home to comfortable and luxurious quarters, lay down to sleep in the mud, or on the frozen ground, without complaining or murmuring. This was largely so because all fared alike. If part of the army had been supplied with hair mattresses, resting on springs and placed in warm dry rooms, while the rest lay out in the snow or mud, there would not have been the cheerful resignation to the situation that there was.

If a mechanic should now live as plainly and poorly as his ancestors did two hundred years ago, he would find himself in a very uncomfortable position. His house, furniture, food and clothing, and his wife's and children's clothing, would be the subject of constant and annoying remarks. They would be socially ostracized and made a subject of jeers and ridicule; and unless constituted differently from the majority of persons, life would be a constant round of vexation and annoyance to them.

It does not allay the discontent of a man who feels that he has not his fair share of the growing wealth of the world, to recite to him the different ways in which he is better off than his ancestors were. He has a feeling that his ancestors, in one important respect, were far better off than he is: viz., a greater equality, in style of living, with employers. Everything in this world is compared with something else. Therefore it is futile to attempt to convince mechanics or laborers that they are fairly dealt with, by simply pointing out how such persons formerly fared. Their present posi-

tion, compared with that of men who lived one or two hundred years ago, is of no account to their minds, because it is *live men*, and not *dead ones*, with whom they wish to be on a footing of greater equality.

IS EQUITY BEING DONE?

The question, therefore, is not whether labor gets a greater reward now than it formerly did. After that is conceded, the difficulty is as great as ever. Labor insists that capital gets more than its relative share of the wealth created by combining labor and capital with the discoveries and inventions of science and art. If this be true, then it follows that labor is being defrauded of its just share in the glorious progress of the human race.

It must be remembered that our social and legal policy should be framed on the maxim that justice is always expedient. The permanent interests of capital are safe, just in proportion as labor is equitably rewarded.

We should seek the advancement of HUMANITY;—not simply that of a few, but of the HUMAN RACE. The enormous progress we have made in science, invention, and mechanical art and skill, is rightfully the heritage of the WHOLE PEOPLE; it should be used for elevating the masses by lightening the burden of drudgery—providing more physical comforts and better sanitary conditions; and by affording more leisure, opportunity and means for intellectual improvement.

It is sound public policy to encourage industry and the accumulation of wealth. Those who are lazy, improvident and wasteful should suffer the natural result of bad conduct. But at the same time, we should create the same checks to prevent an unscrupulous and inordinate use of the money-making power that we have already placed on the misuse of physical power.

FREE TRADE IS POSSIBLE ONLY WHEN BOTH PARTIES HAVE LIBERTY OF CHOICE.

Many persons suppose that a bargain is voluntary, when made without either party thereto being under compulsion from some threatened legal penalty or some form of physical violence. Such a contract is presumed to be a "free trade," mutually advantageous to both parties, with which it is both impolitic and wrong for Government to interfere.

But very little investigation is required to discover that one man may compel another to make a grossly unjust bargain, without exercising, or threatening either legal or physical force. And this may be done either when commodities are bartered, when goods are bought and sold for money, or when labor is hired. A makes an unfair bargain whenever he uses the peculiar relations which he bears to B, for the purpose of getting the money, the goods, or the labor of B for a much smaller equivalent than would have had to be given if B were not crippled by circumstances which placed him at a great disadvantage. It may be more advantageous to B, to make such a bargain, than to bear the losses and suffering unavoidable in case no such bargain were made; but this fact may exist and still the bargain be grossly unfair and oppressive to B.

The manufacturers of a city are making fair profits at the existing scale of prices and wages. Suppose under those circumstances they combine and suddenly reduce the wages of operatives five per cent. Such a reduction may appear insignificant, but, in the aggregate, where thousands of hands are employed, it makes a great difference in the manner the wealth created by them shall be distributed. In such case, it may be said that if the workmen are not satisfied they are "free" to get employment elsewhere. But although nominally such freedom exists, the workmen have not a perfect liberty of choice. A large number of them have no alternative employment and lack the means to remove themselves and families to another place. Even those who are able to emigrate cannot do so without leaving associates

and friends. Furthermore, the expense of traveling in quest of employment, and of removal after it is found may be a greater loss than the reduction of wages.

HOW WORKMEN MAY ROB EMPLOYERS.

On the other hand, circumstances may and often do exist in which workmen, already in receipt of fair wages, may combine, and, without an hour's notice, demand an increase of ten per cent. or more in their wages. The manufacturers have then two alternatives presented to them, either one of which involves not merely a loss of possible profits but an actual loss of accumulated capital. If the workmen's demands are not acceeded to, and the factory consequently closed, there is a loss of the interest of the capital invested in buildings and machinery, and a serious damage to business from its interruption. When the manufacturer is heavily in debt, as is often the case, these losses are very hard to bear. If the manufacturer conclude that the additional wages demanded will damage him less than to stop work, he is then also certain to lose from two causes: the additional wages and the inability to fully compete with other firms, situated in places at a distance where wages have not been raised.

Suppose the hired farm laborers in a wheat-raising section of the country should quietly keep at work until the wheat was fully ripe and then demand double the usual harvest wages. The farmers would pay it because they would otherwise lose still more than the extorted wages. But would this be a free contract? Would any bargain or trade made under similar circumstances be "voluntary" in the proper sense of the term?

WHEN FREE TRADE OCCURS.

Freedom of contract and trade, alike between individuals and nations, is only possible, as a general rule, when both parties occupy ground and positions which give them a reasonable equality of strength, and power of self-protection. Neither an individual nor a nation has much chance

to make an equitable bargain when in urgent necessity of making one on some terms. The proverb, "Necessity never makes a good bargain," is a condensed statement of human experience in regard to trades and contracts made when one of the parties has a great advantage in some way over the other.

When both parties to a bargain of any kind, are benefited thereby to nearly an equal extent, the exchange is both free and fair. But where one side gets nine-tenths of the profit of the transaction, and the one-tenth profit to the other side is profit only in the sense that it is a means of averting a portion of an expected loss, neither a free trade nor a fair trade has been accomplished. Such a bargain is evidence that one of the parties thereto had "liberty of choice and action" only in the narrow sense that he could choose between one sacrifice and another and a still greater one.

WHAT A GOOD BARGAIN IS.

As a general rule, both individuals and nations in their dealings are constantly endeavoring to gain an unfair advantage over each other. What is commonly called "a good bargain" is usually an exchange wherein the advantage thereof is nearly all on one side. Trade and commerce are not carried on from benevolent motives.

LAWS ARE OUTGROWTHS OF HUMAN NECESSITY.

Law originated because human experience saw the absolute necessity of some orderly means of restraining the cupidity and selfishness of mankind. Laws are therefore simply an expression and outgrowth of public necessity. It is practically impossible for a government to inquire into the right and wrong of every transaction which occurs between the different individuals under its jurisdiction. It is likewise impracticable for it to take cognizance of all the bargains made between its own citizens and the citizens of foreign nations. But, at a very early period in the history of our race, the need became apparent of adopting some general measures the tendency of which would be to prevent

one man from taking advantage of the necessities of another to make with him a grossly unfair bargain. Out of this belief grew the first laws. It was next observed that similar measures were necessary to prevent foreigners from unfair dealings with citizens. This was the germ, at once, of the first international law and the first tariff. For century after century, these rudimentary ideas have slowly developed into systems of jurisprudence, and have found expression in a great variety of ever changing laws. The wisdom and expediency of the form of many of these laws are still under active debate. But, that it is as legitimate a function of government to prevent unfair bargains as to prevent robbery or burglary, is a principle fully established. The only question is: What are the best practical means of accomplishing such a purpose? What measures should be adopted, at a given time and place, to promote and secure freedom of contract and fair dealing between citizen and citizen and between citizen and foreigner, depends entirely on the attendant circumstances and conditions. Laws wise, suitable, and effectual in one age and country, and under one combination of facts, may be at once foolish and futile at another time or place and under different circumstances. Laws made without reference to existing conditions are always acts of folly, and usually acts of injustice; simply because the paramount end of legislation can never be reached unless the law fits the facts. Facts cannot usually be made to fit either newly-made laws, or laws made long before and under a different state of affairs.

SIEGE OF PARIS.

A striking illustration of the foregoing principles was furnished a few years ago by the siege of Paris. The prices of fuel, flour, and other necessaries of life in that city are usually left to the action of competition in open market between the owners of those things. But, when the German armies encircled the city, it was at once evident that the different conditions necessitated a different means of regulating prices. The Government fixed prices by law. Otherwise, those who

chanced to have in possession a large stock of imperatively needed articles could have taken advantage of the situation to obtain unfair prices. The laws adapted to the ordinary times of peace were not suitable when the city was placed under different circumstances.

WHEN LAWS NEED REVISION.

It may be said that a siege is an exceptional thing. But, in fact, the principles involved when a change of circumstances occurs in a sharp, vivid manner do not differ from the principles which should guide us when circumstances change so slowly as to attract little attention from ordinary observers. It is the fact of a change of conditions which is the just basis of a corresponding change of measures to secure fair bargains. Whether this change has been rapid or gradual in itself, is immaterial. The vital point, which justifies legal interference, is that events have caused such a divergence between existing laws and facts that the object of law is no longer attained.

TEST OF THE WISDOM OF A LAW.

The wisdom and justification of a law intended to prevent one man from taking advantage of his position to make a nominally "free," but really compulsory bargain with another man depends on its fulfillment of such a purpose. If it does not tend to do so, no further evidence of its want of adaptation to existing facts is needed. If it have such a tendency, its value is not impaired because adverse to the theory that "every man has a right to make such bargains as he pleases." Such an inherent right does not exist. Individual liberty must always be subordinated so the general good of society, and, consequently, one man has no right to commit acts, even with his own property, which are contrary to public policy.

What is true in regard to the regulation of trade between citizens of the same country, is equally true in regard to trade with foreigners. Tariffs and similar measures are justifiable when they prevent citizens of one nation from tak-

ing advantage of their position to make unfair trades with the citizens of another nation. Such trades may be nominally "free"; yet, like many bargains between citizens of the same nation, they may be in reality compulsory and contrary to the interests of one of the nations.

Whether a nation needs a tariff, and, if so, upon what articles and at what rate, depends, like the enactment of other laws, upon the existing circumstances. It may be to the interest of one nation to have no tariff whatever upon certain articles. At the same time, another nation may find great advantage from placing a tariff on the very thing which elsewhere is admitted free of duty. The wisdom and justice of an act always depend upon the circumstances and conditions under which it is committed. Tariffs are not excepted from this universal law. The imagined "profound and complex economic laws" underlying foreign trade vanish into idle vagaries whenever we clearly remember that bargains between nation and nation need regulation for the same reasons that bargains between one man and another need legal supervision; and, therefore, the same principles apply to one that apply to the other: to wit, A should be hindered from using his peculiar position to make an unjust trade with B which could not be made if B were not forced by circumstances to make one sacrifice to avert a still greater one.

CHAPTER XVIII.

Remedies for Social Conflicts.—Legislation should Foster Equality of Wealth.—Measures should be General, in Preference to Special.—Potency of Money.—Evils of Waste.—Foolish and Wasteful Brutality.—Bad Modes of Building.—Many kinds of Waste.—Taxation.—How Taxes should be Levied.—What a Tariff is.—Taxation should always be Laid with a Twofold Purpose.—Advantages of Indirect Taxation.—Corporations.—One of the main Roots of the Labor Question.—Ownership of whatever performs Labor is Ownership of Labor.—A Fish-hook Machine.—A Man should Control his Means of Subsistence.—Need of a large Amount of Capital.—Inventions should not be made Means of Oppression.—How Inventions are Made.—All should be Benefited by Discoveries and Inventions.—Growth of Inequality.—What should be Done.

Nothing is more fallacious than the assumption that the mutual interests of a landlord and a tenant, a lender and a borrower, a seller and a buyer, and an employer and a servant, are coincident and identical.

The details of measures to adjust the business relations of one person with another, and to equitably settle the diverse claims of capital and labor, do not lie within the scope of our present inquiries. But the general principles which should direct their formation may be briefly discussed.

"Give me neither poverty nor riches; feed me with food convenient for me: Lest I be full and deny thee, and say, who is the Lord? or lest I be poor and steal, and take the name of my God in vain."

This ancient prayer regarding the distribution of wealth should underlie our legislation. And we must remember that the laws of a nation, more than any other one agency, determine into whose hands, and in what proportion, the wealth of that nation shall be placed.

LEGISLATION SHOULD FOSTER EQUALITY OF WEALTH.

The chances of national security, prosperity, and happiness are much greater for a country where the vast majority are in comfortable circumstances, than for a nation with great wealth in few hands and a large population of paupers and other persons deprived of many comforts of life and on the verge of abject want.

In order to produce this desirable condition of equality in enjoyment of the necessaries of life, the social forces and national policy should be so organized and directed as to restrain the avarice of those who, in the absence of law, would appropriate to themselves a greater amount of wealth than either justice or expediency sanction.

Laziness and wastefulness should be discouraged and incentives given to economy and thrift. Every citizen, no matter how weak, ignorant, poor or humble he may be, should be made to feel that, although individuals may seek to oppress and wrong him, yet society, as a whole, the State, expressed by the strong arm of legislation, is ever his kind and sympathizing friend. Under such conditions social order rests on the broad foundation of the affection and loyalty of the masses of the population and cannot be shaken.

MEASURES SHOULD BE GENERAL, IN PREFERENCE TO SPECIAL.

In devising means to accomplish the aforesaid desired results, we should draw a lesson from Nature and imitate her mode of law-making. Her laws are neither petty, special nor complex. They are broad, general and simple. Our limited capacity prevents us from ever equaling their wisdom; the best we can do is to be guided by the general ideas upon which natural laws appear to rest; viz., fundamental facts and principles should be so conformed to, that a few laws will enable multitudes of living things to successfully accommodate themselves to an infinite variety of

changing conditions. The Creator of natural laws has solved this problem completely.

Whoever inspects a large workshop may see a great number and variety of machines performing different acts and services. Suddenly the hum ceases, and in a few moments all the complex mechanism is at rest. A slight pressure by a single hand has detached the power which turned the shaft whose motion set a hundred machines at work.

The social fabric is like a workshop. A great variety of results flow from the action and influence of a few elementary forces. The whole social system may thus be swayed, so silently and quietly, either for good or for evil, that the source of the power which has such a controlling influence is unnoticed. The relations of capital and labor are so complex and numerous that most persons imagine a multitude of regulations necessary to secure their proper adjustment. But many things depend largely upon the influence exerted by a few. Therefore, we should devote our studies to the regulation of those few things which give a controlling bias and tendency to the many things. Some of these rudimentary forces we will indicate in the order of their relative importance.

POTENCY OF MONEY.

First. In the absence of barter, money is the link by which capital and labor are associated. As the growth of commerce and commercial habits have rendered barter to a large extent impracticable, the relations of labor and capital are dependent more upon money than upon any other one thing. A currency convenient to use, difficult to counterfeit, and of uniform value, therefore, lies at the very foundation of commercial and industrial activity. The ideal "dollar" never changes in value. The class that controls the money of a nation can control and order, to a large extent, how the wealth created by the association of capital and labor in that nation shall be divided and apportioned. This silent and generally unnoticed influence can be used in two different ways, or, by both those means simultaneously.

First. It may be done by raising or lowering prices. Second. It may be accomplished by changes in the rate of interest. The rate of interest paid for the use of money is therefore closely interwoven in importance with stability of the purchasing power of money. These topics are elsewhere considered and need not be here further dwelt on.

EVILS OF WASTE.

Second. A cow that gives a pailful of milk and immediately kicks it over is not a desirable member of a dairy. Wealth squandered as soon as created differs widely in effect upon the community from wealth put to good and productive use. If a political party squander a comparatively small sum the whole country is aroused. But the millions of individuals who compose this nation are constantly engaged in wasting, in a great variety of ways, more wealth annually than is required to defray the entire expenses of the national government. And yet this colossal waste attracts less public attention than would be given to a political party which should be convicted of wasting two millions of dollars.

The manufacture and sale of intoxicating liquors involves an annual waste of hundreds of millions of dollars' worth of property. The loss inflicted by converting valuable grain into maddening drinks is alone very great : but that is only the first of a series of acts each one of which has a terrible tendency to make more inmates for the almshouse, the lunatic asylum, the police station, and the penitentiary. A large portion of the expense of maintaining order, especially in cities, is due to the almost incredible amount of wealth wasted in various ways by drinking habits.

FOOLISH AND WASTEFUL BRUTALITY.

Tens of millions of dollars' worth of grain, fruit, and vegetables are yearly destroyed by insects and worms. This is chiefly due to the fact that every village and city in the land has one or more workshops devoted to the manufacture, repair, and sale of guns, chiefly used for the purpose of murdering the farmer's and gardener's friends, the insect-

eating birds. An undeveloped, crude boy, without proper instruction, cannot be expected to know any better than to commit acts both brutal and wasteful. But it is humiliating to read that persons of mature age and occupying prominent positions in society are "spending their vacations in the sport of hunting." This means that such persons are so low in the scale of moral development and sensibility that they take a savage pleasure in witnessing the death agonies and struggles of innocent birds and animals. Large sums are yearly squandered for equipments to carry on this barbaric "sport."

BAD MODES OF BUILDING.

Every day in the year witnesses the destruction, by fire, of from one, to three hundred thousand dollars' worth of property. A large portion of this is needless waste, caused by ignorant and careless modes of constructing buildings. Since the termination of the Civil War, the value of the property destroyed by fire exceeds the present amount of national debt, and three-fourths of this vast waste could have been averted by reasonable precautions.

We have wasted and are still wasting our wood and timber supply with utter recklessness. The direct loss thereby occasioned is very large, but it is equaled if not exceeded by the enormous losses from disastrous floods and protracted droughts directly traceable to a diminution of the proper amount of forests. We not only squander our wealth of forests already mature, but thus far have neglected to adequately protect young growing woodland from devastation by fire.

MANY KINDS OF WASTE.

A score of other forms of wastefulness could readily be named, each one of which places a heavy and needless burden upon society. On the average, they make life just as much harder as they destroy wealth. Any cause which checks or diminishes the production of wealth is a waste of potential energy: it is just as truly wasted wealth as if it were a means

whereby wealth already in hand was destroyed.* Consider the enormous losses inflicted on society by ill-advised strikes, whereby both employer and employed are injured, and which a little consideration on one or both sides would have avoided: arbitrary and unnecessary discharges of workmen, or some similar evidence that our social machinery is defective. For it should be remembered that whenever, from any ostensible and apparent cause whatsoever, men, willing and able to work, are idle, it necessarily implies grave mistakes somewhere. Wasteful ignorance on the part of some one, some class, or the whole community, must always exist, in some form or place, whenever hands are idle which should be employed in the creation of wealth. Something is wrong whenever the association of capital and labor is not both equitable and uninterrupted.

After strenuous opposition and exhaustive debate, it is now generally considered a legitimate function of Government to

* While this is being revised, wastefulness has assumed a phase to which the term "boycott" has been applied. It is essentially an agreement by a considerable number of persons to injure the business and property of one person by refusing to trade with or work for him. The effectual accomplishment of this purpose requires that the persons entering into such agreement should also refuse to hold any business relations with any one who has commercial intercourse with the person whose injury has been agreed upon. Centuries of human experience have demonstrated the inestimable benefit of a provision in the fundamental law that "no one shall be deprived of life, liberty or property without due process of law." Boycotting is in direct contravention of the long-tried principle that every one is entitled to an opportunity to make a full defense in a fair, legal and public trial, in presence of his accusers, before being sentenced to deprivation of life, liberty or property. It is a species of lynch law, by which a person's property is taken from him through the indirect method of injuring his business. The rule of conduct is essentially the same, whether a number of persons agree to take a man's property by mob violence, or whether they agree to take his property from him through indirect methods. Lawlessness is the characteristic feature of all such acts. Boycotting may, therefore, be dismissed as an effort to improve the condition of the laboring classes by means at once so inexpedient and wrongful as to inflict swift and certain injury upon both those who make it and those against whom it is directed. The common sense of the whole community will soon revolt against it.

foster and promote the diffusion of the knowledge and skill which will increase the productive capacity of the various wealth-creators of the nation. Does it not then logically follow, that Government should also take measures to instruct the people how to preserve and utilize wealth after it is created? Ought we not to take another step in the path we have been traveling? Our educational system would be improved, if in every high-school, academy and college one of the "professors" of some comparatively useless department were dismissed and his place filled by a teacher with common sense and attainments sufficient to instruct the pupils in the principles and art of economy.

TAXATION.

In the aggregate, an enormous sum of money is annually drawn from the pockets of the people in form of taxes. Within the lifetime of a man who attains three score and ten, the major portion, and in many cases his entire estate, passes through the hands of the tax-collector. That is, the total amount of taxation levied upon one thousand dollars' worth of property during his life equals that sum. It is certainly a moderate statement to say that the total of direct and indirect taxes levied on a nation during a hundred years equals the value of all the property in that country. Taxation, therefore, is a force of perpetual and enormous power. Its effect for a single year is not perceptible; but, when levied in a particular direction, with a view to carrying out a certain policy, the tendency it exerts during a series of years is tremendous. It was the mode of taxation in France for a long time before the Revolution of 1789 which finally drove the masses of the people to desperation.

HOW TAXES SHOULD BE LEVIED.

The ancient idea of levying taxes was "for revenue only," without reference to the incidental effect of such taxation. This is the barbaric idea. But it is yearly more fully seen that taxation should have a twofold object; viz., the collection of revenue and the encouragement, or discourage-

ment, of certain conduct. Taxation is thus made a legislative force; the tax-office, a branch of Government.*

All laws are attempts to promote a particular kind of conduct and to discourage the commission of certain specified acts. These laws are always more or less evaded. For instance, we have laws against theft; but it is continually occurring.

The wisest laws cannot prevent crimes. But their *tendency* is to make such offenses more rare than they otherwise would be. Petty theft was formerly punished by hanging. But because experience has shown said policy unwise, it does not therefore follow that all penalties against theft should be abolished.

In order to discourage men from committing certain acts called "crimes" we affix a penalty to their commission. This, for nearly all crimes, is imprisonment. But, in many

* False and misleading issues are raised by constant reiteration and amplification of the proposition: "Taxation should be no greater than requisite for payment of the necessary expenses of government." But concession of the absolute truth of said proposition leaves untouched the actual questions before legislators; to wit, what conduct, what interests shall we restrict and hamper by placing thereon the burden of paying the large amount of money "necessary" to defray the expenses of Government? Some one must pay it. Whom shall it be?

A careful exploration of its ultimate results is a requisite, preliminary of all wise taxation. Whether the tax is proposed on imported goods, in form of what is called a tariff, or by any other mode of taxation is immaterial. *The essential thing is that the effect of such taxation should be both to afford a revenue and at the same time place taxation on conduct and interests which public policy requires should be discouraged and burdened.*

Hence a tariff laid on a commodity, simply because it is imported and comes in competition with the domestic product, is not based on sound principles. For example, we now have a tariff on imported lumber. The effect of such tariff is to discourage the importation of lumber and to increase the destruction of our own forests, a procedure fruitful of evil.

We shall start on the right method toward a proper system of taxation, when it is fully recognized that all taxes, of every kind and nature, should be levied for the purpose of discouraging acts apparently beneficial to the individual who commits them, but, in a broad sense, detrimental to the public welfare.

cases, in order to make it still further unpleasant to commit crimes, a pecuniary penalty called a "fine" is attached to them, in addition to a term of imprisonment. To the commission of many petty crimes and misdemeanors a fine alone is practically attached; that is, on payment of the fine, further penalties are waived.

In essence, a "fine" is a tax levied on persons proven guilty of certain acts, for the purpose of discouraging them from repeating the offense. Thus the principle of governing by taxation,—of attempting to prevent certain conduct by levying a tax on all who commit it,—is established by long usage.

WHAT A TARIFF IS.

This principle has been fully adopted, not only as a means of preventing criminal acts, but also for the prevention of certain things deemed adverse to the public interests. Thus from the beginning of the United States Government to the present time we have always levied a greater or less tax on many of the goods imported into this country from foreign nations. This tax is called a tariff. Its object has been, for most of the time, twofold. First. Raising a revenue for support of the Government. Second. Preventing foreigners from combining their superior capital with labor degraded by centuries of oppression, and thus taking an unfair advantage of the workmen of this country.

The tariff, then, is essentially a mode of taxation imposed for raising revenue; for preventing the industries of this country being injured by competition with those of nations whose civilization is inferior to ours; and for encouraging the development of a greater variety of manufactures in this country.

TAXATION SHOULD ALWAYS BE LAID WITH A TWOFOLD PURPOSE.

What we now need is an extension of the principle of government by taxation. The entire revenue needed for the support of National, State, and Municipal Government

should be raised by taxes laid on conduct, the repression of which experience has shown best for the public welfare. The virtues of mankind should not be taxed. The burden of taxation should be laid on crime, idleness, celibacy, vain luxuries, avarice, and kindred vices and follies of our race. For example, a tax of ten dollars yearly laid on every dog would persuade many persons not to keep dogs. Taxation, in form of licenses, should be used to keep the number of middlemen down to the minimum required to transact the business of the country at the lowest possible charges. Every superfluous middleman and every unnecessary railroad is a waste of the productive energies of the nation. The silent but powerful influence of taxation should be brought to bear as preventives of all misdirection of industry.* As the frogs once swarmed over Egypt, so doctors and lawyers now abound in this country. A high license fee for practicing law or medicine would have a salutary effect.

If taxation were laid for the purpose of repressing, limiting and discouraging certain things whose suppression or limitation is best for the public good, a correlative result would follow. Conduct which long trial has shown best for the interests of society would be encouraged by freeing it more or less completely from taxation. For example, it is greatly to the interest of society that every man should have a home of his own. In order to encourage the sobriety, industry and economy requisite to obtain one, the Government should so collect its revenues that homesteads would be entirely free from taxation.

* The following item of news clipped May 1, 1886, shows the effect of taxation on business: "The number of brewers in England is decreasing rapidly. In 1870 there were 32,000 brewers in the United Kingdom. During the next decade, or up to 1880, the number lessened at a rate of a thousand a year, there being in 1880 only 22,000. Then in one year appears the surprising decrease of 7000, there being in 1881 only 15,000. Since then they have declined less rapidly, but are nevertheless losing ground none the less surely. They number now but 13,000 in contrast to the 32,000 of sixteen years ago. The temperance movement has not made this change, but the levying of a duty upon beer instead of upon malt, which has concentrated the business in a less number of hands."

ADVANTAGES OF INDIRECT TAXATION.

Every foot knows best where the shoe pinches. Every one knows his ability to pay taxes better than it is possible for a Government to know. Indirect taxes give a man considerable latitude in determining how much taxation he will bear. When taxes are laid on things with which he can dispense, he can more easily adjust his taxes to his income than when they are laid on his home, and on other things which he must have. For these, and kindred reasons, a large revenue can be drawn from a nation by indirect taxes with less oppression to industry than if it were paid in form of direct taxation. Furthermore, the burden of taxation on a community in reality is greatly lightened when conduct hurtful to society is partially repressed by such taxation. For example, a tax of fifty thousand dollars laid on the liquor dealers in a city is no burden whatever to that city, if fifty thousand dollars' worth of additional wealth be created as a result of greater sobriety, produced by lessening the number of rum shops by a high license.

CORPORATIONS.

Fourth. The steadily growing numbers and wealth of artificial persons, called corporations, constitute a condition never before known in the world's history. Private individuals are constantly dying. In many cases their estates are so divided as to lose the power they exerted when used as a single mass by one person. But beings created by legislation are comparatively immortal. The component members of the corporation are constantly growing old and dying; but new members steadily fill their places. Meantime, the "being without a soul" often grows, and grows in wealth and power until its surplus revenue is alone sufficient to sway the legislation of a State by political chicanery. Such a corporation is an organization of such vast power that there are practically only two things capable of keeping it from using its strength for its own aggrandizement, regardless of the public welfare.

First. Its own self-interest. This often does keep a corporation from unjust and oppressive conduct toward the individuals with which it comes in contact. But all history and experience tell us that liberty, justice and fair dealing hang on a slender thread, and are in peril whenever power is restrained only by what its possessor may deem expedient and best for himself.

Second. Legislative control. This is most effectively secured by measures which necessitate the widest possible publicity of the corporation's affairs and the fewest opportunities for bribery of public agents and officers. It is generally believed that our large corporations constantly use corrupt means to influence legislation. This belief is undoubtedly based on humiliating facts. Numerous instances are constantly occurring in which the wealth of corporations is used to corrupt elections. We therefore need stringent laws to prevent money being directly or indirectly used to buy votes. The State should furnish tickets to voters so that the pretext of raising money for printing tickets would no longer exist. We are rapidly drifting into a condition in which it will be utterly impossible for any one to obtain nomination for important office unless he be both able and willing to furnish a large sum for illegitimate use during the campaign. Candidates should be prevented from using a single dollar in any way whatsoever to promote their own election.

ONE OF THE MAIN ROOTS OF THE LABOR QUESTION.

What a long period of suffering and privation has intervened between the present and the time when man first stood on earth with no tools but his naked hands. And how much easier the lives of your ancestors might have been if they had possessed the implements we now have.

To those who were actors in that drama, it seems but as yesterday since this country emerged from a civil war terribly destructive of life and property. The initial point of this awful struggle arose from discussion of a question which irresistibly thrust itself upon public attention : "Has one man

a right to own another man?" In other words: Has capital a right to own labor?

One phase of this contest was settled by the war. One form of slavery was abolished. One method, which capital employed to own labor, has been made impossible. But other means and devices employed by capitalists to own laborers are still under legal protection, and in the majority of instances are sanctioned and defended by the same persons who bitterly denounced the form of labor ownership extinguished by the logic of human butchery. Since the war, the majority of persons imagine that capital cannot own labor. But a little examination shows, that the emancipation measures only partially destroyed the control of the capitalist over the laborer.

For example, let us suppose an industrial arena of some kind; no matter whether it be a factory, a forge, a mine, a plantation, or a ship-yard, wherein one thousand laborers are employed. Comparatively few, and those inexpensive, tools are required. Each workman furnishes his own tools and is paid a certain amount of wages per day. Under such conditions, the laborer is comparatively independent. If any disagreement arise between the employer and himself, he can pack up his tools in a few minutes and, with his tools on his back, seek employment elsewhere.

OWNERSHIP OF WHATEVER PERFORMS LABOR IS OWNERSHIP OF LABOR.

Let us reverse the aforesaid conditions and see what the result will be. Suppose some inventor should create an automaton of steel, wood and leather which will perform exactly one man's labor in a day's time. The cost of this automaton to be $500. Under such a condition of facts, is it not clear that if the capitalist should buy one thousand of these bloodless laborers he would own his labor? He could turn the men made of flesh and blood adrift. He could carry on his works by the labor of his own chattels just as truly as if those chattels consisted of one thousand

Africans, just landed from a slave ship, for which he had paid $500 a piece.

Let us now perfectly retain the principle involved in the last aforesaid example and state another condition of affairs. Suppose the aforesaid capitalist, instead of buying a thousand automatons, should buy a steam-engine and some machinery, which would enable one hundred laborers to perform as much labor in a day as a thousand laborers could with the old-fashioned tools owned by themselves. The machinery is so expensive that the laborers are too poor to buy it. Even if they combined, and saved money enough to start a rival industry, they could not make and use machinery similar to that owned by the capitalist. He has his machinery protected by a law called "a patent," and as this law is backed by the entire judicial and military power of the nation, he has the exclusive right, for a long term of years, to use the machinery covered by that patent. It is utterly in vain for the nine hundred workmen to think of competition with machinery by using their own tools. Now, in this case, is it not just as clearly true that the capitalist owns the labor of nine hundred men, as it is in the aforesaid hypothetical case in which he owned the labor of a thousand bloodless workmen?

A FISH-HOOK MACHINE.

In this city, at the present time, several automatic laborers are at work making fish-hooks. The wire is automatically fed into one end of a machine, and, without the touch or guidance of a single human finger, it emerges from the other end of the machine a perfectly finished fish-hook. The hooks are made by one of these machines many times faster than they could be made by a machine of flesh and blood. A pail is hung on a spout at the end of the machine where the hooks emerge, and into this the completed hooks rapidly fall. Whoever will take the pains to examine the construction of a fish-hook cannot fail to see that the aforesaid machine is a great stride toward the creation of automatons which will accurately and uncomplainingly perform

the labor of living machines. It will also clearly appear to him, that the capitalist who owns one of these expensive machines, protected from competition by a patent, and by successive patents on improvements in that machine, virtually owns several fish-hook makers. He owns the fish-hook makers, because he owns and has absolute control over the tools without which those fish-hook makers cannot earn five cents a day.

Hundreds of illustrations similar to the fish-hook machine could be cited. But that is sufficient to exemplify the principle involved in all such cases, viz.: *Whoever owns the tools, without which a workman cannot earn a living, owns the labor of that workman, and, to that extent, owns the workman himself.* Whenever this occurs, capital virtually owns labor.

A MAN SHOULD CONTROL HIS MEANS OF SUBSISTENCE.

In one sense, a laborer without tools has perfect freedom. But, if deprivation of tools imply deprivation of the means of supplying himself with the necessaries of life, whoever controls his tools controls the workman's very existence. Just to the extent the capitalist can control the laborer's food, the capitalist has control of the laborer's liberty and person. It is possible that the workman's liberty may thus be restricted to that amount of which it has always been impossible to deprive a slave;—viz., the liberty of dying.

What occurs in the aforesaid example, in case a disagreement arise between the owner of the nine hundred metallic workmen and the one hundred living workmen? Suppose the one hundred, thinking they are not receiving a just proportion of the wealth created jointly by themselves and the nine hundred automatic workmen, should strike for higher wages? Their demands are not acceded to and the entire thousand laborers are thrown out of employment. What then happens? It is certain that the owner of the nine hundred workmen, or what is essentially the same thing, the machines which perform a labor equivalent to

the labor of nine hundred men, is at comparatively little expense for the maintenance of his chattels. While they are idle, he loses the interest on their value and is at the expense of protecting them from rust and other injury. Derangement of his business also causes him, to a considerable extent, loss of the value of his own services in managing it. But the hundred living workmen are subjected to nearly the same daily expenses when idle as when at work. The idle machines, the automatic laborers do not eat. But the idle workmen must eat or die.

In such an event, is it not apparent that the power of the one man who owns nine hundred laborers is far greater to coerce the hundred, than the power of the hundred is to coerce the owner of the nine hundred workmen?

One of the chief characteristics of the last century is the enormous progress therein made in mechanical art and skill. The principles discovered by scientific men in the laboratory and study have been converted to practical use in the workshop by the inventor and artisan. The vast majority of the tools used by labor, wherewith to create wealth, one hundred years ago, have been made worthless by the invention of better ones, and the few in existence are found only as curiosities in museums and similar places.

Every year a large addition is made to the great number of labor-saving machines already in use. In all probability, the future will witness as great an increase in the invention of machinery as has occurred in the past. Many minds are constantly at work devising plans for introducing machinery into departments of industry where manual labor still holds sway. It is likely these persons will, to a greater or less extent, succeed in their purpose.

NEED OF A LARGE AMOUNT OF CAPITAL.

When the whole field of invention and mechanical skill is surveyed at a glance, another startling fact appears, viz.: the steadily growing expensiveness of machinery. It is steadily growing more effective and performs more and

more of the work formerly done by human hands. This necessitates and implies machines more ponderous, more complicated, more accurately constructed, and more costly than those of inferior power of execution and less adaptation to the peculiar purpose required. Every year more and more capital is required to equip a mechanic with tools which will enable him to successfully compete with others engaged in producing the same forms of wealth that he is.

The inevitable result of the foregoing facts is that the tools of labor are steadily passing into the ownership of capitalists and beyond the control of the artisans, the successful prosecution of whose calling depends on the use of those tools. Some one must be the owner of these tools, and such ownership makes a capitalist. In an indirect, but nevertheless very effective manner, capital yearly owns more and more labor. It is constantly growing more difficult for a mechanic, beginning life with nothing but his bare hands, to obtain the independence which naturally flows from the combined ownership of tools and possession of the requisite skill to use them in creating some form of wealth. What chance has a poor mechanic, of average business ability, to ever become the owner of a tool so expensive that the annual interest on its cost is greater than his entire wages for a year? Such a person has not a fair chance in the ever present industrial struggle, compared with the inheritors of wealth, the born owners of the mechanics' tools in use at present. If he undertake to own his own tools, he has the terrible disadvantage of working in competition with men already the owners of many workmen with iron bones and steel fingers. What wonder is it that he should either despair or be filled with hatred of a social system under which such inequalities of position are possible?

This then is one of the problems which, whether we desire to or not, we must face and solve. Cowardly evasion will not avail. Wisdom and humanity unite in bidding us candidly recognize the facts, and, by interchange of thoughts, arrive at just conclusions.

INVENTIONS SHOULD NOT BE MADE MEANS OF OPPRESSION.

What remedies shall we employ to cure the aforesaid evil before it develops into a more alarming condition?

Obviously, it is neither the destruction of labor-saving machines nor the repression of invention. Every automaton which performs human labor should be recognized as a means of relieving mankind from drudgery. If it do not, it is not the machine which is to blame. It is the conditions under which it is employed that are at fault. Every inventor who facilitates the creation of wealth should be crowned as a general in the field of industry whose victories over matter have been won by patient thought and labor. If his creations, after being set at work, leave behind them a trail of oppression, distress, and bitterness, it is not his fault. They should bring additional wealth, comfort, and happiness to every member of the human family. When they fail to do so, the social system under which they are employed must be defective in some way.

The annual production of wealth in this country is estimated at about twenty per cent. of the total wealth of the country. A considerable portion of this wealth is the product of automatons,—of various kinds of machinery. It follows that, to the extent that a class controls such machinery and receives the profits therefrom, just to that extent such a class controls and absorbs the annual production of wealth. But this is not the fault either of the machines or of the inventors who devised them. The defect is in the manner in which the ownership of those machines and the profit arising from their use are distributed.

HOW INVENTIONS ARE MADE.

All scientific discoveries and all devices whereby a discovery is practically applied to the improvement of the condition of mankind are not due solely to the labors of the immediate discoverer and inventor. They are the culmination of the thoughts and labors of generations. As

such, in the widest sense, they are the heritage of the whole human family. What would be thought of a man who should propound the idea that the discovery of anæsthetics should inure only to the benefit of those worth over ten thousand dollars ; and, that all worth less than that sum should bear severe surgical operations without relief from suffering? Would he not be denounced either as an idiot, or as a monster of cruelty.

ALL SHOULD BE BENEFITED BY DISCOVERIES AND INVENTIONS.

It is self-evident that progress in science and art ought not, in any respect whatsoever, place a child born in poverty in a position of greater disadvantage than it would have been if such progress had not been made. A little reflection makes it also evident that such a child should not simply have its condition ameliorated by such progress. The same *relative advantage* should accrue to it as accrues to the children of the rich. In many important respects, the child of a poor mechanic, born in 1885, has greater advantages in carrying on the struggle of life than were possessed by such a child born in 1685 or 1785. But this undoubted fact does not satisfy the desires of the laboring classes. It ought not to satisfy them, because simple justice requires that every forward step in human knowledge and progress should impartially benefit the whole people. Unless the poor child in 1885 has the same relative advantages over the poor child born in 1785 that the rich child in 1885 has over the rich child born in 1785, there is an injustice somewhere ; there is a defect in the distribution of the benefits of means whereby mankind can supply their necessities and march onward toward a higher plane of development.

GROWTH OF INEQUALITY.

While the condition of the laboring classes to-day is far better than it was in 1785, the *inequality* between different classes is greater now than then. There is a greater dis-

parity of income, of wealth, and of social position. The root of this matter largely lies in the fact that the means of creating wealth, the tools without which labor is comparatively helpless, have, to a large extent, silently passed into the ownership and control of the capitalists, and especially of those who own a large amount of capital.

WHAT SHOULD BE DONE.

When a person is in difficulty or danger by reason of a change in his condition the obvious remedy is to restore him to the circumstances he was in prior to his distress. Thus when a man is in danger of drowning, the first thing to do is to pull him out of the water.

The artisans have been placed at a disadvantage by taking away the ownership of their tools. The obvious remedy is to restore these men, as far as practicable, to their former position of tool-owners. Measures must be adopted which will enable a mechanic to directly or indirectly become a joint owner of the expensive tools required in modern industry. This can be done either by enabling him to buy a share in ownership of the machines with which he works; or by making his compensation consist, in part, of the profit derived from combining his personal labor with the automatic labor of the machine. Such methods, however, are practicable only when the workmen have a considerable degree of character and intelligence. The province of this work is not to discuss the details of such measures. Its only object is to indicate the principles involved and to show the justice of such procedures. When that point is conceded, the mode of their execution will soon be arranged. When we adopt a mode of recompensing inventors radically different from that now in vogue, and abolish our present patent laws, we shall have taken a great step toward making the artisan, at least, a part owner of the tool with which he creates wealth.

In opposition to such a plan, the first thing which will be urged is the well known fact that an attempt to aid a lazy, dissolute, intemperate mechanic to become the owner of

capital is as futile as to hold up a coarse sieve and try to fill it with fine sand. We concede that no one can be helped who will not try to help himself. But if the follies and misdeeds of a few artisans constitute good reason for depriving *all* artisans of a fair and equitable opportunity to improve their condition, does it not inevitably follow that the follies and wrongful acts of a few capitalists form a valid reason for depriving *all* capitalists of their just rights? Such an argument could be applied to many different facts and conditions and would always lead to a conclusion as preposterous as the one aforesaid. No sound argument can be framed in support of any policy or system which is not based on the self-evident fact that every man is equal to every other man, so far as his natural equitable rights are concerned; and, furthermore, that the rights of one citizen should be as fully protected as those of another.

The question may be asked: Would not the above suggested measures injure capitalists? No. In the proper sense of the word, no one is "injured" by taking away from him some unfair advantage which he is using to the detriment of others. The aforesaid suggested measures would doubtless powerfully tend to diminish the present disparity of wealth. They would tend to prevent some persons from growing as rich as they would if allowed to retain wrongful advantages and absorb the wealth created by, and justly belonging to others. They would also lessen the number of idle young men and women, the children of rich parents, who consume wealth to the creation of which they have never given an hour's labor.

Such things are not necessarily "injuries." They may become the greatest blessings. A person who cannot grow rich without some unjust advantage being first given him ought to live without riches. Riches properly belong only to those who, on a footing of equality, exert superior efforts and ability in creating and saving wealth without prejudice to any person whatsoever.

CHAPTER XIX.

Socialism.—Horror of Socialism.—What Socialism is.—A Socialistic Post-office.—Socialistic Schools.—Socialistic Libraries and Parks.—Socialistic Water and Fire-engines.—Socialistic Money.—Socialism at West Point.—Socialistic Enterprises.—Advantages of Socialism.—Should Socialism be Extended?—Socialism does not Favor Laziness and Unthrift.—How to Help the Poor.—Ungrateful Snobs.—Future Probabilities.—Causes of Discontent.—Why Some are Richer than Others.—What shall We do?—Lessons of Experience.—" With what Measure ye Mete, it shall be Measured to you again."—Need of Hastening Slowly.—Need of Changing our Patent Laws.—Defects in our Social System.—Folly of Violence.—The true Course.

It is never safe to allow one class to enact laws in regard to their own interests.

Napoleon is reported to have said: "The world is governed by epithets." Certain it is, that in all periods of history, words have been used as the equivalent, or synonym, of elaborate and presumably conclusive arguments. Thus, for a considerable time in the history of this country, the term "Abolitionism" was employed to define particular ideas, so revolting to the majority that a mention of their name rendered useless any further statement or examination in regard to them. For a long period, the term "Christian" applied to a person was all that was necessary to brand him as an enemy of the human race, to whose words none but a knave or a fool should listen. A thousand years were not sufficient to destroy the argument once conveyed by the word "Jew." Once having established the fact that a person was a Jew, no further consideration of his merits was deemed necessary. That name barred all argument and overpowered all facts. For many centuries, the term "heretic" was all the description needed of a person to show that his ideas and character were so utterly bad that society should treat him as an outlaw and regard

it a crime to listen to his speech or read his writings. Multitudes have been put to death for reading the works of authors to whom the epithet "heretic" had been applied. Hundreds of cases similar to the foregoing could be cited, all showing that a word, an epithet, has swayed the policy of nations, time and again.

Slowly and painfully, the world has outgrown a fear of many terms which once sent a thrill of horror through what was then the most respectable and intelligent portion of society. But human nature is unchanged. The difference between generations and ages is simply in the kind of words and epithets used, instead of arguments, to prove that certain ideas or modes of conduct are reprehensible. At first, epithets overpower all argument; but finally they lose their spell,—the real argument is listened to, and then the senseless nature of the epithets appears. But a new occasion at once arises; a new epithet is coined, which goes through the same stages as its predecessors.

HORROR OF SOCIALISM.

Recently, the term "Socialism" has been used to sum up and define certain ideas and principles so utterly absurd and wrong, in the estimation of the majority, that an examination of them is thought useless. It is presumed that nothing is requisite to condemn any proposition, but to establish the fact that it is "Socialistic."

Very learned essays and books have been written to show that socialism is utterly impracticable and visionary. But these wise men ignore the simple fact that, to a considerable extent, socialism is in actual and successful operation in this country, and is so intrenched in the good opinion of the masses of our population that nothing can dislodge it. The "impracticable notion" has arrived and has evidently come to stay.

WHAT SOCIALISM IS.

The essence of socialism is the ownership, management, and use of property, by numbers of persons in common,

enforced by law. Socialistic property is bought with means contributed in common; it is managed by agents whose wages are paid in common; and its use and objects are for the common welfare without reference to the amount contributed for its purchase and support by each individual. Those who contribute a large amount toward the purchase or support of socialistic property have no greater share in the benefits of its ownership than those who contribute very little, or nothing. It is state, colonial, or municipal ownership and control of property and business.

A SOCIALISTIC POST-OFFICE.

Our postal system is pure socialism. A vast amount of real estate has been bought with taxes paid in common. Buildings, many of them very costly, have been constructed with money paid in common. The carriers of the mails are paid from the common purse, and the same is true of all the agents employed to receive and deliver the mails.

To partially support this enterprise, a tax is laid on the people in accordance with the principles on which the postal property is bought and managed in other respects. The man who mails a thousand letters at once does not get them carried at wholesale price. Unlike ordinary commercial transactions, there is no such thing as charging a person more because he buys at retail. The price for one letter is one-thousandth part the price for carrying one thousand letters.

Whether a letter is carried two miles or two thousand miles makes no difference in the tax laid upon the sender. Neither does it make any difference whether the place to which a letter is to be carried is easily and cheaply reached by steamboat or railroad; or whether it can only be reached by a long and expensive journey by stage or horseback.

In conducting the postal system, an army of agents and many millions of capital are employed. In fact, the reception, carriage, and delivery of the mails for fifty millions of people is a business of enormous magnitude. Considering

the immense territory over which this business extends; the difficulties of its accurate transaction; the great number of requisite employees; and the large amounts of money transmitted, the postal system can challenge a comparison of its management with that of any private enterprise.

It is not simply in this country that this socialistic enterprise is in successful operation. The civilized globe is now encircled with a chain of post-offices. And the experience of the whole world has recorded so much in favor of a post-office owned by the whole people, managed by the people's servants, and supported by taxes laid on a socialistic principle, that there is not the slightest probability of its ever being abandoned. Instead of that, the tendency is steadily toward widening the duties of the post-office. In England, postal savings-banks have been in successful operation for a considerable time. In this country, the cost of sending matter has been so much reduced that, for many purposes, the mails are now used instead of express companies. And it is quite probable that the functions of our postal department could be further increased with advantage by reducing the cost of sending packages under five pounds in weight, and by the establishment of a system of postal savings-banks.

SOCIALISTIC SCHOOLS.

Our common-school system is another example of pure socialism. School buildings, books and apparatus, to the extent of many millions of dollars, are owned in common. The wages of the teachers, the fuel, and all other attendant expenses of these schools are defrayed by laying a socialistic tax. The number of children a tax-payer sends to school makes no difference whatever with the amount of tax levied on him to support the common school.

Some persons have justly found fault that comparatively useless studies, such as Latin and Greek, are taught in our public schools. But, most such persons have advanced that such teaching was "socialistic." This is no reason at

all. If valid, the entire common-school system would be abolished as well as the study of Latin and Greek. Such studies are merely an abuse of our thoroughly socialistic common schools. Substantially, their defects are similar to those of the majority of private schools. They attempt to teach too many things; neglect instruction in the cardinal doctrines of honor and morality and burden the pupils' memory, instead of making plain the few simple principles upon which rest self-direction and independent thought.

SOCIALISTIC LIBRARIES AND PARKS

Public libraries are an example of socialism. The buildings and books are paid for and owned in common. A man worth only ten dollars has the same right in a free public library as a man has who is worth ten million dollars. Whether a person use the library himself or not makes no difference in the tax assessed upon him for its support.

Public parks are also forms of socialism. Such parks are owned, supported, managed and enjoyed by the public in common. He who never visits one of these parks is not thereby exempt from taxation for their support. The experience of cities which have established public libraries and parks is in favor of their continuance and extension.

SOCIALISTIC WATER AND FIRE-ENGINES.

The introduction of water in a city, by a city, is a purely socialistic enterprise. In such case, the expense of water for private use is defrayed by a tax laid in proportion to the water consumed. But the great expense of water for extinguishing fires and for other public purposes is defrayed by taxes laid on the community in common. The experience of cities is in favor of this form of socialism. As examples on an immense scale, we may look at New York, Boston, Chicago, Philadelphia and other large cities that have expended millions from the common purse to supply water in common. What would induce New York, for instance, to put the Croton water into the hands of a private company?

All the large cities have supplemented socialistic water with an expensive fire department. The tax-payer whose property does not need fire-engines for its protection pays the same tax as if it did. The engine-houses, the engines and all the other means for putting out fires are owned in common, and the wages of the firemen are paid from the common purse. Thus the interests of the fire department are made completely identical with the interests of the people.

SOCIALISTIC MONEY.

The mints are another illustration of pure Socialism. The mints and their machinery are owned in common and the expenses of their maintenance are defrayed by a common tax. Although a considerable sum of public money is yearly appropriated for the support of the mints there is no probability that any civilized nation on the globe will return to the old system of private coinage. Coinage by the State, for the benefit of the State, has been found better than to have coinage in the hands of those whose self-interest continually tempt them to act contrary to the common interest.

The greenbacks are socialistic. They are printed at the common expense and for the common benefit. The only kind of money now in circulation in the United States that is not socialistic is the national bank-notes and they are partially so. These notes are printed at the common expense, but they are made for the benefit of the national bankers, who loan them at interest to the people. In all probability, these notes will soon be replaced by national paper money, and then our entire currency will be composed of money made and used by the people, for the benefit of the people. No special class of persons will then have special rights to issue money for their own special benefit.

SOCIALISM AT WEST POINT.

West Point is a purely socialistic institution. Young men are fed, clothed, lodged and educated at the public

expense. Furthermore, as soon as their studies are completed, they are furnished permanent employment in the public service and paid out of the common money. When incapacitated in the public service, by any cause, from performing further duty they are paid a pension for the remainder of their lives. Thus, a graduate of West Point, who faithfully performs his duty, is an adopted child of the nation, certain of a maintenance through life. What record have the offspring of this socialistic mother made? There is but one voice on that subject. On the average, no class of public servants have rendered greater services to the nation; and none have shown greater fidelity and honesty when placed in positions where public interests and public money were in their keeping. If such good results flow from a socialistic school devoted to giving special instruction in the arts of war, why may not similar benefits flow from a kindred school devoted to giving special instruction in the arts of peace?

If a high sense of honor can be instilled into the pupils of one public school, why cannot other public schools be made teachers of personal honor?

SOCIALISTIC ENTERPRISES.

The attention of the whole civilized world has recently been directed to that wonderful achievement of science, the tremendous explosion which shattered acres of rock in Hell Gate Channel. But many persons do not reflect that it was a socialistic enterprise. It was directed by pupils of West Point; paid for out of the common purse; and performed for the common benefit, without the slightest reference to any other consideration.

Whoever visits New York or Brooklyn may see, hanging high in the air, a bridge connecting those cities which is one of the most daring and marvelous triumphs of engineering skill this world has ever seen. And yet this wonderful structure is the product of what self-styled "scientists" have told us was "utterly impracticable," municipal socialism. The Brooklyn Bridge has been built with common

money for the common benefit. Its benefits are comparatively untried. But enough is known to render it certain that, if by magic the bridge could be obliterated and its cost refunded to the people of the great cities whose common money built it, an overwhelming majority would refuse such a proposition.

Those past middle life can remember when nearly all the important bridges in this country were private property, for the use of which toll was charged. At the same time, our principal roads were managed by private companies who levied toll on travelers. Roads and bridges are now nearly all owned and kept in repair by the public and are free to the use of all. A community which has once abolished the inconvenience of toll-gates is not likely to permit their re-establishment.

ADVANTAGES OF SOCIALISM.

Many other examples of the actual and triumphant operation of socialism could readily be cited. The advantages of a successful public co-operation are enormous. They arise largely from the fact that when the whole people conduct a business the persons in charge of that business are public servants whose interests lie chiefly in serving the people to the best of their ability. For example, the people of the city of New York own the Croton water and hire those in charge of it. Therefore, these agents have few interests adverse to the interests of the people of New York.

But if a private company owned the Croton, the dominant question before its agents would be : How large profits can we make from the sale of this water? The larger the profits made under their management, the greater the probability of their continuance in office, at, perhaps, increased pay. The quality of the water and its abundant supply would be subordinated to a question which would arise whenever any improvement in the mode of obtaining or supplying the water was suggested ; viz., Will it pay? And by this question would not be meant : Will it pay the

people of New York? It would mean: Will it increase the profits of this water company?

What is true of a water company is true of a public mint, or any other form of established and successful public co-operation. Such a mode of conducting a business puts it out of the power of a few persons to conduct that particular business, solely to make it just as profitable to themselves, and just as great a burden on the rest of society as can safely be done.

Wealth may be, and often is, obtained by legal means which are superficially just but essentially unjust. Such means of getting wealth are more dangerous to the community than robbery by open violence, simply because they are so insidious as not to be immediately recognized and resisted. Those who have both the ability and the disposition to grow rich by stealthily preying upon the fruits of others' labor, are largely prevented from doing so, in whatever direction the general public assume control of a particular business. In other words, opportunities for getting more out of the public than is fairly given in return are limited by the extent to which business is carried on by the public themselves. For example, if the mails were not carried and distributed by the public, what a field for extortion and plunder that business would be! This might be done so as to appear at first sight equitable, and the superficial question continually asked in regard to that, as it now is with reference to existing extortion: "If the price be too high, why do you buy it?"

The public may, and sometimes do, suffer losses from dishonest officials. But such losses are usually trifling compared with the enormous robberies inflicted on society by the greed and rapacity of private owners who control something the public are obliged to buy of them. For instance, the public loses comparatively nothing by dishonest mint officials, although many millions of gold and silver yearly pass through their hands. On the side of private ownership, look at the vast sums continually stolen from the public by dishonest manipulation of railroads, telegraphs,

stocks, money and other forms of wealth under private control! Look at the colossal fortunes drawn from the people by placing extortionate prices on patented articles! And look at the great and sudden wealth obtained by artificially raising and lowering the prices of grain and other products!

SHOULD SOCIALISM BE EXTENDED?

The aforesaid facts, and kindred ones which could be readily cited, lead us to ask: Have we reached the limits to which socialism can be employed with benefit to society? That there is a point at which public co-operation must give way to individual and private liberty and freedom of action is undoubtedly true. The question is, what, and where that point is? How much further can the affairs of mankind be advantageously conducted by a system of co-operation so extended that every citizen is made one of the partners?

Those small persons who fancy themselves on the highest attainable peak of wisdom make an outcry at the least suggestion of a greater extension of municipal and national co-operation. But as such wails, and the doleful prophecies which always accompany them, have always occurred at every step of human advancement, little attention should be paid them.

However, because many things can advantageously be done in common, it by no means necessarily follows that therefore all business should be so conducted. It is clear that nothing should be done the tendency of which would be to encourage laziness and wastefulness, neither should anything be done that would weaken incentives to acquire an individual home and support an individual family.

SOCIALISM DOES NOT FAVOR LAZINESS AND UNTHRIFT.

It is commonly supposed that all forms of socialism foster the vices of idleness and improvidence. But the present generation, living under the influence of a large number of socialistic institutions, are more industrious and provident

than their forefathers were who lived before public ownership and management of property were dreamed of to the extent now in actual existence and operation. There is no evidence that the postal department, public schools, public libraries, and public parks make those who enjoy their advantages either lazy or shiftless. On the contrary, those institutions, and kindred ones, are potent generators of industry and thrift. Their demonstrated tendency is to elevate the self-respect of the masses; to widen the horizon of their thoughts and ideas; to give them a fuller and more comprehensive knowledge of the advantages derived from ownership of capital; and, above all, to inspire them with hope that there is a possibility of their condition growing steadily better, if they will only make a little more effort to help themselves.

HOW TO HELP THE POOR.

The history of all attempts to improve the condition of a degraded class tells one story with painful monotony. No idleness and improvidence are so difficult to remedy as that of persons in poverty and misery, hopeless of ever being able to reach a condition of greater comfort and independence. Despair is the most dangerous of all social diseases. Whatever makes it a little easier for such persons to escape from the bondage of abject poverty and humiliating social inequality, and whatever throws light upon a path leading from the morass in which they are mired to higher and pleasanter grounds, has a powerful tendency to make them more industrious and frugal. Little can be done to ameliorate the condition of a community, or an individual, by direct alms. But means which show the easy possibilities of self-help are permanently fruitful of good results.

UNGRATEFUL SNOBS.

We frequently witness events which make us ashamed of our kind. We see persons who in childhood occupied a position verging on pauperism. By the kindly help of socialistic institutions they have emerged from want and a

precarious existence to a state of comparative affluence and wealth. They now snarl at the hand that lifted them out of the mud, and clothed and fed them. They denounce the Sermon on the Mount as an ancient humbug and proclaim the gospel that every man should solely take care of himself. This shallow selfishness is styled " Economic Science."

FUTURE PROBABILITIES.

Our ancestors, five hundred years ago, imagined their social organization perfect. We are prone to imitate them and to fancy further progress impossible. But history forces us to concede that the tendency of our race, the world over, for the past century, has steadily been toward the principle of socialism. Where we shall ultimately land no one can tell. The certain thing is, that many kinds of business are now conducted with great advantage by the whole people which, one hundred, and, in many cases, fifty years ago, it was supposed could only be fitly carried on by private enterprise. Reasoning from the past, it seems probable that the results of human selfishness can be mitigated, and a remedy found for many social evils, by placing still more kinds of business under public ownership and control.

CAUSES OF DISCONTENT.

It is commonly imagined, that multitudes are discontented simply and solely because some men have more wealth than others. But in fact such is not generally the case. Very few persons are so utterly foolish and unreasonable as to deny that a man is entitled to the fruit of his own labors. By reason either of inherited ability, better opportunities, or superior diligence in self-improvement, one man may possess more than average skillfulness in carrying on some particular industry. If he diligently employ his attainments and strength in thus creating wealth, it is perfectly clear that the amount of wealth so created belongs to him just as rightfully as it would if, by reason of less skill and less industry, said amount were smaller. It is also evident, that if one man, by practicing superior economy, save

and accumulate more of the product of his labor than another, he is the owner of the amount so saved, just as rightfully as if, by less carefulness, or less self-denial, its amount were smaller. The portion of the community which will deny the foregoing propositions is insignificant in numbers and influence, and always must be.

The Creator gave us equality of rights but did not give us equality either of physical or mental strength. As man's powers, to a considerable extent, are devoted to the creation of wealth it necessarily follows that inequality of power to create wealth, must naturally result in an inequality in the amount of wealth created by different individuals. Furthermore, as men's judgments of the relative importance of things differ; and as some men are willing to undergo more self-denial for the purpose of saving wealth than others; it necessarily follows that, by virtue of superior self-denial and economy, some men will naturally have, and justly possess, more wealth than others. But, after conceding the foregoing self-evident truths, the root of the matter we are considering remains untouched: viz., *Except to a very limited extent, the great and increasing inequality of wealth, is not due to the superior skill, industry and economy in creating and saving wealth, of one man over another.*

WHY SOME ARE RICHER THAN OTHERS.

Great inequality of wealth chiefly arises from the ability of one man being so dextrously and cunningly employed in manipulating and managing commercial and legal machinery as to result in his absorbing a considerable portion of the wealth created by a large number of other men. A small portion of wealth thus taken from each one of a large number of persons amounts to a great sum when collected in one man's hands.

Great wealth is usually not acquired by great skill and labor in its creation, because life is too short and man's powers are too limited to render such a thing ordinarily possible. Skill in obtaining legal possession of wealth created by the labor of others is the secret of most large fortunes.

There are exceptions to the foregoing rule, but they are rare. Whoever doubts it is invited to trace the history of the large estates within his knowledge. Donations to hospitals, schools and kindred objects are frequently merely attempts to divert public attention from the fact that considerable property has been gathered in one mass by indefensible methods. Vanity thus incites the donor to give property, which justly belongs to others, in a public manner.

The evil we are called on to diminish is one man so using his abilities, his position, and his capital, as not to violate law and to appear fair: but, nevertheless to take advantage of others and thus acquire more wealth than in equity belongs to him.*

* As an indication of growth toward a public recognition of hitherto largely unsuspected evils, the following letter, written by a distinguished clergyman to the New York *Sun*, January 4, 1886, is republished:

TO THE EDITOR OF THE SUN—*Sir:* You quoted lately a passage from an article of mine on overwealth, and invited me to explain my views. They are simply these:

1. Dangers to the peace and prosperity of the country must be guarded against by the Government and laws.

2. Men and corporations, so large pecuniarily as to be able to buy up Legislatures, are a danger to the peace and prosperity of the country.

3. The acquisition and holding of such wealth should be carefully hedged about by wise legislation.

There is my syllogism. Now let me add a few notes:

1. A large part of the enormous wealth of individuals and corporations is made by lying, stealing, and oppression. The running up and down of stocks, what is known as "bulling and bearing," is practical lying, and has nothing to do with real values. Stock watering is nothing but stealing. Credit Mobilier schemes, by which directors rob stockholders to enrich themselves, are common methods of oppressing the poor, who have been fooled into putting their little all into stock.

2. The rich man is protected by law, and what with preferred creditors and property held in his wife's name and a hundred other devices, he fails and is as rich as ever. The poor man is thrown out of employment, and has nothing to fall back on. He can be turned out at a moment's notice, and has no redress.

3. We need legislation that will defend the poor, *e. g.*, making a month's notice necessary before discharging a hand, paying him by the year as a salaried man, and giving him a proportional interest in the concern.

WHAT SHALL WE DO?

If we would, we cannot evade the questions which this perverted use of the mechanism of our social organization forces upon us. When every man has a vote, unless the great majority are satisfied, they will certainly make changes of some kind in the national policy. With the present growing discontent, it is not simply a question of standing still or not. The problem is narrowed down to this: In what direction shall we move? Shall we make our social system still more democratic by adopting measures whose tendency will be to create a more equal distribution of wealth? Or shall we make our social system more aristocratic and more plutocratic by adopting measures whose tendency will be

4. We need legislation that will make the man, as he grows richer, to bear more of the public burdens. The graduated income tax would be the most equitable. If that be impracticable, as many hold, then let the nearest practicable plan be adopted, so that with us, as in ancient Athens, the rich shall bear the chief burdens of the State.

5. We need legislation to restrict the power of corporations, forbidding and preventing gifts, direct or indirect, all watering, all use of franchises without full payment of value to the State, all interest of directors in side schemes of a parasitic nature, all secrecy of operation, all combination with other corporations, and all exorbitant dividends at the cost of the public.

6. With such legislation there need be no limitation of property. Justice, equal to all, will give trade and acquisition a natural health, which is now denied by a partial legislation in favor of the rich and of great corporations. With such legislation property will be naturally limited, and there will be no place for discontent or socialism.

7. If we saw a man a mile high stalking over this way from the West, and discovered that he had already trampled eight or ten towns into nothingness, we should feel called upon to take measures to suppress him before he could put his big foot on the *Sun* Building and blot out its light forever. He would be a danger which we should be justified in preparing against. Our great corporations are very much like this giant. They crush thousands where they tread. They hire journals, courts, and Legislatures, and have everything their own way. It is for the people of our land so to curb this power that it may be only useful and not harmful. If this be socialism, I am a Socialist.

HOWARD CROSBY.

to widen the distinction between classes, to increase the number living in luxurious idleness, and to place the wealth and power of the country in fewer and fewer hands?

By gross deception the people, in recent years, have been misled into sanctioning measures whose tendency is plutocratic. This has been effected partially by raising the cry: "Socialism! Socialism!" and pretending that socialism was the essence of evil. But all experience tells us not to be alarmed by cries raised by those who think progress consists in sitting still; and by others fearful that their unjust privileges will be taken from them. Suggestions for further practical application of the principle of public co-operation are legitimate, and worthy of the most earnest and careful consideration. Should such an inquiry reveal that a profitable extension of socialism could be made, if honest public agents were more easily obtained, let us improve our common schools by teaching therein a keener sense of personal honor.

Theorists have advanced doctrines adverse to such beneficent common works as the improvement of Hell Gate, public schools, public money, and kindred things. But these persons are insignificant in numbers and everything else except in the assurance with which they make pretense of superior wisdom.

LESSONS OF EXPERIENCE.

In England, where government by the few has had the fullest and fairest trial, such government is pronounced against by a steadily increasing minority composed of the foremost thinkers of that nation. The bulwark for centuries of aristocratic ideas bids fair, by the magic of discussion and thought, to soon be converted into a democracy. Those who admire the medieval barbarism which now lingers in England will then be forced to transfer their affections to Russia, or some other despotism.

Not only England, but the whole world is demonstrating the failure of all forms of government, animated by the principle that a few—the privileged, the rich, the cunning, and

the strong—should rightfully be permitted to prey upon the many, the simplė, the poor, and the weak.

"WITH WHAT MEASURE YE METE, IT SHALL BE MEASURED TO YOU AGAIN."

Despotisms are trying to build dams wherewith to stay, among the masses, the slowly but steadily rising tide of broader thought and wiser appreciation of their own rights. But the higher the dams are raised the higher the water will surely rise behind them. When the inevitable break comes, these builders will be lucky if the shattered ruins be not stained with blood. There is only one question concerning retribution being visited on privileged classes which oppress a nation, viz.: How long will it be delayed?

Let us then go forward without fear toward a fuller, a more humane, and therefore a wiser democracy. The path which leads to equal justice to all and to national adoption of the principle that the strong should help, instead of taking advantage of the weak, is the only path of safety. All others are lined with pitfalls. Let us be bold in search of Truth. Let us trust the conclusions to which it leads, and, at the same time, be cautious in devising and adopting measures to put them in practical operation and effect.

NEED OF HASTENING SLOWLY.

"In a multitude of counsellors there is safety." There is little danger that any pernicious measure will be adopted which is first fully subjected to public criticism. But where principles are framed into law, without such publicity, serious mistakes are likely to be committed.

No important law should be enacted by the legislature or congress to which it is first submitted. All such laws should be first carefully sifted. Those deemed worthy of possible enactment should be published as "Proposed Laws," and their final passage deferred to the next legislature, enlightened by at least one year's public consideration of them.

Two important results would flow from a procedure like

that aforesaid. First. A much needed check would be placed on hasty and ill considered legislation. Progress would be more rapid because less time would be lost in retracing false steps. Second. The practical application and workings of democracy and socialism would be extended. The whole people would have a greater voice than they now have in the enactment of laws and in shaping and directing the course and policy of our social organization. More fully than at present every man would be a legislator.

NEED OF CHANGING OUR PATENT LAWS.

Of several ways which could readily be named whereby the principle of socialism could advantageously be given a wider practical application, let us briefly examine one, viz.: the public ownership of all inventions.

Suppose a physician or a surgeon should make a discovery of great importance to mankind and claim the right to sell said discovery to a capitalist, who, for 17 years, would deprive the people of its benefits unless extortionate prices were paid for them. Such a medical man would be justly denounced as a traitor to the profession whose mission is to allay human misery. Yet this is similar to what is done by inventors who sell important patents.

In the aggregate, the public pay an enormous tax in form of high prices on patented articles. In the vast majority of instances this tax is not paid to the inventors of those articles or of the machines which create them, but to the capitalists who directly or indirectly control the patents. Inventors generally lack the requisite capital to manufacture and distribute what is covered by their patents; hence necessity compels a bargain with some one who has. In a majority of cases the proverb is then exemplified, that "necessity never makes a good bargain."

As competition with a manufacturer whose wares are protected by the patent law is out of the question, the whole community are constantly paying a large, and often a wrongful, tribute to those who control patents. Capital

thus quietly obtains and seizes an opportunity to levy an unfair tax on labor. When one patent expires, an improvement on the old one, or some entirely new patent, is secured; thereby enabling capital to silently maintain an unnoticed and powerful advantage.*

What will future ages think of a matter of then almost forgotten history, a system of law whereby the public benefit of inventions is postponed for half a generation after their practical application to some useful purpose?

Every useful invention tends to remove the human race one step further from their primitive poverty and its accompanying privation and toil. It is therefore sound public policy to foster invention. But we must remember that each individual inventor adds only one stone to the monument of human knowledge which countless numbers of his predecessors have reared. Without the knowledge which has thus become common property, his invention would not have been possible. Therefore, the owners of this common

* The following news item, from the *St. Louis Republican*, illustrates how our present patent law postpones the full benefit of inventions. Many similar facts could be adduced.

NO CHEAP TELEPHONES BEFORE THE YEAR 1900.

It will be a long time before telephoning becomes cheap. Bell's first patent, the one upon which all the others are founded, is dated March 7, 1876. Patents are seventeen years in duration, and this first patent will thus run out in 1893. But there are other patents of more recent date upon parts essential to the operation of the instruments. For instance, the Blake transmitter was not patented until 1881, and it is so broad that it may be said to cover almost any transmitter which might be constructed. This will practically secure the monopoly until 1898. Then there have been many other patents of date up to a very recent time, which, while not absolutely essential to telephoning, would defeat competition even if every patent on essential parts were out of the way. Thus the Bell Company controls patents upon switchboards and other apparatus used in making connections which would put competition by those who have not the right to use them at a great disadvantage. The nineteenth century will see no change from the present conditions, and it is impossible to foresee what other improvements will be patented which will in the future be considered necessities.

knowledge have a paramount right to every new invention. For his addition to the common stock of knowledge, the inventor should be treated as a citizen who has made a notable contribution to the commonwealth. He should be pensioned, or, in some other way, paid from the common purse, and paid very liberally. But neither he, nor his assigns, should be allowed, as at present, to make a step of human progress, for a considerable period of time, an instrument of human oppression.

Public ownership of inventions would not in the least check the development of scientific and mechanical knowledge and skill. On the contrary, it would stimulate them, by rendering their rewards more equitable and certain.

But it would have a powerful tendency to check the growth of huge monopolies which virtually force the public to pay them extortionate profits on their goods, while the operatives whose labor created them are paid low wages. It would then be generally seen, that much of what is now ascribed to our tariff is really due to the evil influence of private ownership of inventions which should be free to every man who wishes thereby to render his labor easier, or more productive.

DEFECTS IN OUR SOCIAL SYSTEM.

What course should be pursued by those who believe the evils of monopoly and concentration of wealth in few hands could be diminished by enlarging the field of national co-operation?

Wherever wrong exists there is always one proper way to attack it, and that is the manner by which it can most effectually and speedily be destroyed. The choice of means depends entirely on circumstances. Revolutionary violence is not only admissible, but commendable, whenever despotism has shut off other means of redress.

But in a nation where suffrage is universal and unobstructed, no reasonable question can arise relative to the proper method of righting a public wrong. Where every man is armed with a ballot; where the mails are open for the dis-

semination of ideas; and where freedom of speech and assembly for discussion are unfettered, political agitation is by far the most potent means of abating any evils which may exist in the social organization. Where all power is lodged in the hands of the people they have no one but themselves to blame if the laws, or their administration, be not what they desire.

FOLLY OF VIOLENCE.

Lately, it has been said: "We wish changes in our national policy but cannot get them, because the great majority oppose us and could beat us in a political contest. Therefore, armed resistance is the only way to obtain our wishes." To such persons it may be said: If you are in such a small minority that a political contest is hopeless, would not a struggle with arms be equally hopeless?

Many who desire political changes overlook the readiness with which these changes can be obtained. Legislators and politicians are continually watching the drift of public sentiment. Each party constantly tries to act in accordance with the wishes of the supposed majority of voters. Consequently, the policy of each party is based on the judgment of their political leaders as to what laws the people will ratify at the next election. As these leaders have substantially equal sources of information, the result is the very nearly equal balancing of the two great political parties.

The result of the aforesaid facts is that a resolute minority of one voter in every hundred can often hold the balance of power. And in the great majority of cases, a minority of one voter out of every twenty, who will unflinchingly adhere to their principles, are absolutely certain of inducing one of the great parties to adopt their ideas.

THE TRUE COURSE.

The lesson of these facts is obvious. Whenever a few persons imagine themselves possessed of ideas which would benefit the public to incorporate into law, it is their duty to organize themselves into a political party for the express

purpose of disseminating such ideas. If those sentiments will not bear the ordeal of public scrutiny and debate, they will deservedly soon become ridiculous and drop out of sight. But if they are founded in justice, means for putting them in practical operation will soon be devised, and their triumph will only be a question of time.

Away, then, with all foolish talk about violence, bloodshed and arson being necessary to redress existing wrongs. Such criminal folly only aggravates present evils and postpones their destruction. Let all socialists fully state their demands and the arguments therefor before that socialistic tribunal, gatherings of voters during political campaigns. The ballot is the most effective weapon which can be wielded against wrongful methods of government. Therefore, organizations and assemblages for the purpose of political education are essential, alike to the preservation of regulated liberty and to further social development.

CHAPTER XX.

How shall we Create a Stable Currency?—Stability of Value possible only when Conditions are Stable.—Money is not strictly a Measure of Value.—Difference between Money and other Standards.—Some Relative Facts.—Effect of Paper Money.—Effect of Hoarding Gold. —Why Prices change.—Changes in the Number of Standards.— Silver and Gold are governed by the same Natural Law.—Duty of Congress.—Importance of the Dollar having a Uniform Value.— The Central Question.—Fruit of a False Premise.—Money must be Adapted to Public Intelligence.—Financial Measures suggested for Consideration and Amendment.—The Proper Inscription.—A Perfect Currency.—Successful Use of Paper Money requires Intelligence. —What will Ultimately Occur.

A fluctuating currency is the perennial fountain from which flows many evils and wrongs generally ascribed to other causes.

We have heretofore found that the natural laws which create value apply universally, perpetually, and impartially to all things given and received in exchange. We have also found that all things contain certain inherent, intrinsic, qualities peculiar to themselves; but that value is not a *quality* but the RESULT of a condition in which a thing possessing the intrinsic qualities fitted to supply a want is so placed as to meet and fill such a want.

We have found that when a thing possessing the intrinsic qualities fitted to supply a certain want is placed under conditions which enable it to meet such a want, a value is always created; and that the uniformity and stability of such value depend entirely on the uniformity and stability of the conditions which created it.

We have also found that the value of a dollar, or any other monetary unit, depends on the same facts which give a value to a bushel of corn. The value of the "bushel" depends on the number of those bushels offered for sale

relative to the need of, and therefore the demand for such bushels. The value of the "dollar" depends on the number of those dollars offered for sale relative to the need of, and therefore the demand for such dollars. When dollars are put in circulation it is always effected by selling them; *i. e.*, giving them in exchange for some other thing. Unless they are so sold, they do not enter into circulation and therefore do not affect the value of other dollars already in circulation any more than "bushels" of corn permanently withheld from market affect the market price of corn. The desire to have the United States Treasury contain an immense hoard of gold is the natural child of a wish to depress the prices of commodities and the wages of labor, thereby raising the value of bonds and kindred evidences of indebtedness.

STABILITY OF VALUE POSSIBLE ONLY WHEN CONDITIONS ARE STABLE.

The aforesaid considerations force us to conclude that if we wish a "dollar" to have a uniform and stable value, we must frame conditions under which the *number* of those dollars offered for sale, *i. e.*, put in daily constant circulation, will have a uniform relation to the need of such dollars to carry on the varied exchanges of society. The number of dollars in circulation must not be subjected to either an increase or a diminution relative to the demand for such dollars. Their *relative number* should always be the same, no matter what changes occur in their *absolute number.*

To more fully show that uniformity in the relative numbers of dollars is absolutely requisite to insure and produce uniformity in the value of each one of those dollars, let us illustrate this topic again in a manner different from that heretofore employed.

MONEY IS NOT STRICTLY A MEASURE OF VALUE.

In order to understand this subject, we must observe the wide difference which exists between what is commonly called the "measure of value" and other kinds of measures.

The United States have arbitrarily adopted a piece of metal, of a certain weight, as the unit to be used in determining weights. This is kept in the Government buildings and is known as the standard pound weight and duplicates of it are made when required. The weight of this standard pound is not in the slightest extent affected by the number of other "pound" standards which may be made in exact resemblance to it.

This country has always, as at present, had several coins called "measures of value." But for convenience and brevity we shall select one, and that the coin which is commonly supposed to have the most invariable value; viz., the gold dollar. Our law makers have enacted that a gold dollar shall contain 23 22-100 grains of pure gold and shall be the unit of value. Substantially, every one of these dollars is precisely like every other one of these so-called "measures of value." That is, they are composed of the same materials, have the same weight and the same size and shape. An agreement to pay or receive at a future time, no matter how distant, a certain number of gold dollars of the present standard of weight and fineness, is consequently an agreement to pay or receive a certain number of *things* each one of which possesses certain intrinsic and invariable qualities.

From the aforesaid undoubted fact has been assumed another statement which has no truthful foundation; to wit, that because the size, weight and constituent materials of these gold dollars are substantially "invariable," that therefore their *value* is also invariable.* If this were true, it would then inevitably follow that dollars made of lead, so long as they were always of the same shape and weight, would also have an "invariable" value. It is true that the weight and size of these lead dollars would be substantially

* Curiously enough many of those who assert that "legislation can have no effect on value" unhesitatingly accept the absurd notion that because the State stamps a piece of metal "one dollar," therefore the value of that dollar is fixed by such an act, without any reference to other facts and conditions.

"invariable"; but the *value* of a thing is not identical either with its weight, its size, or the materials of which it is composed. *If it were, identical things would always possess identical value.* For instance, a bushel of corn at one time and place has the same weight and other qualities which it has at another time and place. But the identical bushel of corn has one value in Iowa and another value in Connecticut; thus showing that identity of intrinsic qualities, size and weight, do not prove an identity of value. The opponents of the silver dollar are constantly saying that its value has "depreciated" since 1873. But the silver dollar of to-day is composed of the same materials, has the same weight and size, and, in fact, is precisely the same "invariable" dollar that it was prior to 1873. Its identity is unchanged. In 1859 the silver dollar of 412½ grs. was worth 5 22-100 per cent. more than the gold dollar of 25 8-10 grs. At present the bullion value of the gold dollar is worth about 20 per cent. more than the bullion value of the silver dollar. While this change of about 25 per cent. in the relative value of the gold dollar and the silver dollar has occurred, not the slightest change has taken place in the relative size, weight, color, and other intrinsic, inherent qualities of these two different dollars.

The aforesaid plain fact is inexplicable and bewildering, so long as we embrace the false theory that value is an "intrinsic" quality of gold and silver. If silver had an "intrinsic" value, circumstances could not affect its value any more than circumstances can change its color. If every nation in the world should simultaneously enact that silver should henceforth be yellow, it would not have the least effect on the color of silver. Neither could any number of laws have the faintest tendency to make gold less malleable, lighter, or possessed of any intrinsic qualities different from those which are now, and always have been peculiar to that metal. The change which has occurred since silver was demonetized by Germany in 1872, in the relative value of gold and silver dollars is easily understood when we remember that value is never an intrinsic

quality of anything; and that therefore identical things, possessed of identical, intrinsic qualities, may possess widely different values at different times and under the influence of different laws, conditions, and circumstances.

DIFFERENCE BETWEEN MONEY AND OTHER STANDARDS.

The difference between our standard of weight and our so-called standard of value is therefore essentially this, viz.: The numbers of the standard of weight have no effect whatever upon the weight of that standard. But the *numbers* of the standard of value are the determining fact which regulates the value of this supposed standard of value.

An increase in the number of gold dollars in use diminishes the value of each one of them. A decrease of the number of gold dollars in circulation increases the value of each one of those in use. Therefore the gold dollar is a standard, the value of which is dependent on the number of those standards in use. It is a condition similar to what would exist if the length of a yard-stick were dependent on the number of yard-sticks in use. It follows that the accuracy of what is commonly called a "measure of value" does not depend on the fact that it is always composed of the same *thing*, but on the *number of those things in use*.

The value of one of these standards is affected by anything which changes the relative amount of gold in human possession; such as the vicissitudes of mining, the amount of gold consumed in the arts, and the arbitrary demand which may be created for that metal by legislation. But this is by far the lesser portion of the total sum of influences which operate to raise or lower the value of each and every ounce of gold bullion in existence. The value of such bullion, and consequently the value of each "dollar" made from it, is affected just as directly by an increased or a diminished use of silver dollars, or paper dollars, as by an increased or a diminished supply of gold bullion.

The value of the gold "dollar" therefore rests upon an entirely different foundation from the weight of the

"pound," the size of the "gallon" or the length of the "foot." *It is an invariable thing, with a variable value.* As its value depends upon its numbers, the only way to endow it with a fixed value would be to create a uniformity in its numbers. But the enormous changes constantly occurring in its relative supply and demand render such a thing impossible. The prime difficulty consists in the fact that we cannot control the amount of gold bullion in the world and therefore cannot control the number of dollars which shall be made therefrom.

If it were feasible to keep a uniform number of gold dollars in circulation, the value of each one of those "standards" would still be swayed by an increased or diminished use of silver as money, and still more by an increased or diminished employment of paper money. No fact is better established than that the value of gold throughout the world is raised just as quickly by a disuse of silver as money as by a diminution of the amount of gold itself. Since 1872, a gigantic experiment has been made by several nations which has demonstrated this point beyond a doubt. Moreover, it is perfectly certain that an increase or a diminution in the total amount of paper money in use throughout the world has the same tendency to lower or raise the value of money made of gold and silver as an increased or a diminished supply of those metals. When we remember the vast amount of paper money in circulation and the changes occurring in its volume, the potency of this cause to raise or lower the value of metallic money is apparent.

SOME RELATIVE FACTS.

The aforesaid facts must always remain, because all things are relative, and a diminished or an increased use of one of two things which are both used for a similar purpose must inevitably create an increased or a diminished demand for the other. If cotton could no longer be used as a material for clothing, the demand for wool would be immediately increased. If bituminous coal were to cease

to burn, an increased demand would arise for anthracite coal. The increased supply of petroleum has diminished the value of other illuminating oils. A cheapening of steel rails has induced some railroads to discard iron rails and replace them with steel ones. Numerous other illustrations could be cited to show the familiar fact that the *amount* of a given thing may be but little changed while its value is either raised or lowered by a diminished or an increased use of another thing which performs a similar function or service.

EFFECT OF PAPER MONEY.

Every additional means of dispensing with the use of gold has the same tendency to depress its value and keep it from rising as an actual increase in the amount of gold would have. This is so for the same reason that every additional means of dispensing with the use of mahogany lumber has the same effect on its value that an actual increase in the amount of such lumber would have. When the volume of paper money throughout the world is increased, the effect on prices is the same as if new gold mines had been discovered and an additional amount of gold bullion put on the market. That is, the addition of a considerable amount of paper money to the circulation, no matter what form that paper money assumes, lowers the relative demand for gold and thus lowers its value. When free commerce exists between nations, a large increase in the volume of paper money in one country has an inevitable tendency to lower the value of gold in another and distant country. If England were forced into a desperate war she would be again forced to do as she and other nations have generally done under similar circumstances, viz., suspend specie payments and issue an additional amount of paper money. This procedure, by liberating the gold now used in England, would tend to lower its value in the United States. In other words, prices in this country would tend upward. More gold would be offered for sale, —part of the stock of England would be thrown on the

market and consequently each ounce would bring a lower price.

EFFECT OF HOARDING GOLD.

Gold had a lower value in the United States in 1870 than it had in 1878. Hoarding gold for the purpose of "resumption" diminished the total amount of that metal in open market for sale. This hoarding was done not only by the government but by banks and private individuals. Hence while the premium on gold, compared with greenbacks, was thirteen per cent. in October, 1870, and nothing in October, 1878, the actual value of gold during that time rose. This is unanswerably shown by the fact that the average scale of the prices of commodities and labor steadily fell to such an extent that more labor and commodities were required to buy a given number of ounces of gold in 1878 than in 1870. And yet, so deluded are the majority with the idea that the so-called "par value" of gold is a fixed one, that it was generally imagined that the "resumption process" had cheapened gold.

In fact, great numbers of newspapers proclaimed that "the Republican party, by its wise policy, had so cheapened gold that it had been placed within the reach of every laboring man." The simple fact is that more labor was required to buy 25 8-10 grs. of gold in 1878 than in 1870. Wages were lower in 1878 than in 1870. This was the logical result of taking a considerable portion of the world's stock of gold and locking it up. There was less left in open market to be taken by its owners to the mint and be converted into the so-called standard of value, and then offered for sale. A similar result would be produced if a considerable amount of the world's stock of any other commodity were locked up. Until the equilibrium can be restored by production, the value of a commodity, when a considerable portion of it is withdrawn from market, is increased. In case of gold, the exhaustion of the gold mines renders the effect of locking it up far greater than the effect of locking up a commodity, like wheat, which can be pro-

duced in a year. To a considerable extent, every million of gold locked up is practically destroyed, so far as the immediate scale of prices is concerned.*

Prices are merely a mode of stating the average judgment of mankind in regard to the value of the money in which those prices are paid. Fluctuations in prices are therefore a practical reflection of the fluctuations in the value of the so-called standard of value, no matter what that standard may be composed of.

WHY PRICES CHANGE.

The foregoing considerations explain why the commercial world is subject to such great and frequent changes in the prices of commodities;—fluctuations which are evidently not dependent on an increased or diminished supply of those commodities. The size of "bushels" and the weight of "pounds" do not change, because we have adopted invariable standards for measure and weight. But our standard of value is an elastic one; it diminishes in value when the number of those standards increase, and it increases in value when the number of those standards diminish. The unfailing mirror of these changes in this pretended "standard" is the average scale of market prices. When flour rose to $400.00 per barrel in Confederate money, it simply denoted that the number of standard dollars in the Confederacy had increased. When wheat is sold in New York for ninety cents a bushel, and all other things at correspondingly low prices, it shows that the number of "standards" has diminished. The notorious instability of prices and the great losses to which persons are thereby made liable who are obliged to sell their goods before a certain time, has given rise to the proverb: "Out of debt, out of danger."

* The following statement, made September 11, 1886, shows what a large amount of money was then locked up in New York City alone.

Reserve in banks, $73,159,400 in specie and $20,901,800 in greenbacks; a total of $94,061,200.

Treasury statement: $157,246,358 in gold, $36,106,591 in greenbacks and $95,567,217 in silver. Total in banks and Treasury, $382,981,366.

The instability of prices has been more or less observed by every intelligent business man. But the fact that these fluctuations are largely caused by changes in the value of what is called the "standard of value," has attracted comparatively little attention. If it had, this nation would not have tolerated a monetary chaos, a condition in which the value of all property compared with money is subject to constant and excessive changes.

CHANGES IN THE NUMBER OF STANDARDS.

Mr. Alexander Del Mar, in his interesting and valuable book, "The Science of Money," furnishes a table which shows that the number of "units of value," to wit, "dollars" in circulation in this country, in proportion to the number of inhabitants, has been subject to great variations. Among other things, it appears from the figures of this careful statistician, that the amount of money in circulation in this country in proportion to the population, has varied from $4.60 per head in 1803, to $13.40 per head in 1839; from $6.90 per head in 1843, to $11.10 per head in 1848, and to $28.50 per head in 1864. Furthermore it appears that there has been a direct relation between the rise and fall of prices which have marked different periods, and an increase or a diminution of the amount of money in circulation at those periods.

That its wealth and commerce are as important factors in determining the amount of money needed by a nation, as its population, no intelligent person will deny. But Mr. Del Mar's figures show great differences in the amount of money per head, at times so close to each other as to preclude all probability of any material change having meanwhile occurred in the national wealth and commerce.

There is another very important thing not expressed by the said table, and which it is difficult to state accurately. That is the well-known fact that, whenever the public become alarmed and fear a sudden and intense demand for legal tender, a large amount of money is at once hoarded and the trouble thereby aggravated. For the time being,

such a proceeding practically diminishes the number of dollars in circulation, nearly as effectually as if they were destroyed. The frightful sacrifices sometimes incurred by debtors forced to sell their property in such times of contraction give emphatic confirmation to the statement that the numbers of our so-called "standard of value" are in reality the determining condition which regulates their actual value. And as heretofore pointed out, the use of a currency of which only a portion is a full legal-tender money enormously increases the contraction resulting from a panic. In such times, business men do not want fair weather currency; they want legal-tender money with which debts can be paid either with or without the creditor's consent.

SILVER AND GOLD ARE GOVERNED BY THE SAME NATURAL LAW.

That the value of the silver dollar depends on its *numbers* and not on its intrinsic qualities is just as true as that the value of the gold dollar is thus determined Many persons imagine the silver dollar was an invariable standard of value up to 1873. This mistake arises chiefly from the fact that, until silver was demonetized, the value of the silver dollar, in effect, was usually measured by comparing it with the bullion contained in a silver dollar; which, in reality, under free coinage is simply a comparison of one silver dollar with another silver dollar, a mode of comparison heretofore shown fallacious. The silver dollar, for reasons heretofore stated, is less variable in value than the gold dollar. But the essential cause of this superior stability is not due to an intrinsic value in the silver dollar, but to the greater probability of the number of such dollars being uniform. It follows that any condition which renders the number of silver dollars more unstable must necessarily render the value of each one of those dollars more unstable. And it also follows that changes in the amount of paper money must always affect the value of silver dollars in a manner similar to the way that the value of the gold dollar is thus affected.

DUTY OF CONGRESS.

The United States Constitution provides that "Congress shall have power to coin money and regulate the value thereof." Heretofore, Congress has coined money but it has neglected its power and duty to "regulate the value thereof." This omission is almost entirely due to the ignorance of monetary principles which has prevailed among our "statesmen." They have been mostly oblivious of the simple fact that to "regulate the value thereof" means that the *number* of dollars in circulation should be regulated, as there are no other possible means whereby Congress can control the value of one of the national dollars.

IMPORTANCE OF THE DOLLAR HAVING A UNIFORM VALUE.

The word "dollars," in this country, is the term applied to that form of capital through the help and intervention of which one form of capital associates with all other forms of capital, one kind of labor associates with all other kinds of labor, and all forms of capital hold commercial intercourse and association with all kinds of labor. Labor may be compared to one pulley, capital to another pulley, and "dollars" to the belt which connects those pulleys together. Consequently, any material change in the value of each one of those dollars has an inevitable tendency to derange the industrial machinery whose motion depends on the uniformity of their value. Combinations of laborers may temporarily keep wages from falling; but, if the currency be steadily contracted, wages must, sooner or later, be reduced to correspond with the diminution of currency, just as certainly as wages increase when the currency is expanded.

Of all things produced in this wide land, labor is the most perishable. It must be profitably employed every day or it goes to waste without benefiting any one. Every idle day spent by a man whose health and strength fit him for labor is a waste of national wealth to the extent that

his labor might have created it. A million idle men, each of whom might, if employed, daily create a dollar's worth of wealth, are a clear loss of a million dollars every day they remain idle.

It follows from the foregoing premises, that nothing is more expensive, nothing is more wasteful, than for a nation to neglect measures which will tend to keep the belt which connects labor and capital of a uniform length and efficiency. And our analysis of the matter shows this can only be done by maintaining the greatest attainable uniformity in the *number* of dollars in circulation, relative to the commercial and industrial need of those dollars. If the total number of dollars always bore a uniform relation to the demand for them, there would never be any fluctuation in the value of one of those dollars. If "dollars" were always of the same value, there would be no changes in the general scale of the prices of commodities and labor. Individual articles, in consequence of greater scarcity or abundance, would fluctuate in value to some extent. Invention and machinery would then, as now, lower the prices of some things. But the average rate of prices would remain uniform. As the prices of commodities would be more nearly uniform than at present, the rate of wages would also become more stable, and the industrial strifes now constantly occurring between employers and laborers would be less intense. Real estate would also be far more stable in value than at present. The growth of population and wealth would cause a steady rise in the value of some lands; but the fluctuations which now characterize the real estate market would mostly disappear. The amount of business transacted by what are now essentially gambling institutions, called "stock exchanges," would be reduced to a small fraction of its present volume. All the above statements are evident when we bear in mind that the *average* market quotations are the invariable reflection of the value of each one of the dollars in which those quoted prices are stated. The same cause must always produce the same result.

THE CENTRAL QUESTION.

The considerations aforesaid lead us to conclude that the central question which must eventually engross the national attention is not: Of what *materials* shall we make our dollars? The great problem will be seen to be: *What number of dollars shall constitute our currency; and how shall this number be increased or diminished so that its relation to our population, wealth and commerce will remain uniform?*

Hitherto, the real question before us has attracted comparatively little attention. If it had the present chaotic condition of our finances would not exist. We have created so-called "standards of value" and then left the essential thing, to wit, the *number* of those standards, to chance; to the precarious and fluctuating supply of gold and silver by reason of changes in the amount of those metals produced from the mines, changes in the amount consumed in the arts, and changes in the demand for them by reason of the action of foreign governments and people. We have allowed the most important factor in social and commercial progress, to wit, our money, our means of stating the equities between millions, to be helplessly subject to the caprice of uninstructed legislators and the intrigues and schemes of classes selfishly interested in changing the value of each one of our "standards" so cunningly and silently that the process, except by a few, would be unobserved until accomplished.

FRUIT OF A FALSE PREMISE.

This colossal blunder is almost entirely traceable to the false fundamental premise that gold and silver contain an *intrinsic value*, and that consequently, each standard coin, under all circumstances, is an invariable measure of value. The fact that a large number of persons have recently changed a belief in the fixed intrinsic value of both gold and silver to a belief in the fixed intrinsic value of gold alone, intensifies the practical effect of this blunder without substantially changing its origin and nature.

Regulation of the *number* of our standards of value is the essential feature of our monetary problem. The *materials* of which we shall make "dollars" will depend upon the popular intelligence in regard to finance; upon habit, prejudice and sentiment, and upon future discoveries and inventions. The task before us is clear, but its magnitude is so great that no one man or body of men can at once conclude it. Its final solution will be reached whenever the attention of a large number of intelligent minds is concentrated upon it for a considerable time.

MONEY MUST BE ADAPTED TO PUBLIC INTELLIGENCE.

Money is both an evidence and a form of human progress and development. Consequently, a particular financial system cannot be arbitrarily created and put in successful operation;—it must be a natural outgrowth of the society whose commerce it is intended for. The practical question then is not: What is the most perfect financial system? but it is: What monetary system is best adapted to our present stage of national, commercial, and intellectual development?

Human nature in all generations is the same. Therefore, it is inevitable that all propositions to reform our money will be bitterly opposed, for reasons similar to those which have always engendered resistance to all forms of progress. A large amount of legislation in force in England and other European countries, which full experience has shown to be salutary, was enacted in contempt of the opinions and advice of the so-called "political economists."

When Robert Stephenson was engaged in his long weary struggle to improve facilities for transportation, his chief opponents were men who professed to know all about the subject. No class denounced railroads as impracticable and unscientific with so much confidence and vehemence as the men who called themselves "scientific engineers."

History will certainly repeat itself. We may safely predict that monetary reform will be most zealously opposed

by those who profess a "scientific" knowledge of the subject. Their pride and self-interest will instinctively lead them to discredit ideas which, if generally believed, would practically result in damaging their reputation for learning and acumen. By the average man, no task is more reluctantly performed than to admit his opinions erroneous. Especially is this so when he has pretended to be an authority and has in reality taught falsehood.

FINANCIAL MEASURES SUGGESTED FOR CONSIDERATION AND AMENDMENT.

Whoever states his opinion in regard to the financial policy of this nation necessarily subjects himself to the imputation of being presumptuous. As the opinion of a single individual on a subject of such importance is of little weight, a criticism of that kind, in one sense, is a just one. But if this consideration deterred every one from expressing his views, there would be no opportunity for a comparison of ideas and the mutual instruction resulting therefrom. Therefore, more fully than heretofore, some financial measures are presented for consideration.

FIRST. Withdraw from circulation all the national bank-notes and all the existing greenbacks. This withdrawal would necessarily require considerable time for its accomplishment.

SECOND. Issue a new form of greenbacks to the extent of fifteen dollars per head of the population of the United States, and so regulate the amount of those greenbacks as to always keep, as closely as practicable, that amount and ratio of absolute paper money relative to the population, in circulation, and no more. These greenbacks, in order to avoid either a contraction or an inflation of the total volume of paper money, to be issued simultaneously with the cancelation of the present greenbacks and bank-notes. The greenbacks used to replace canceled bank-notes could be put in circulation by buying United States interest-bearing bonds in open market and then destroying the bonds.

THE PROPER INSCRIPTION.

A one dollar greenback of this new issue to bear an inscription similar to that on all other denominations; to wit, "UNITED STATES OF AMERICA, ONE DOLLAR. This is a legal tender at its face value for all debts and dues both public and private, except in case of specific contracts entered into before the passage of an Act of Congress, approved . . . . . authorizing the issue of this dollar."

It may be asked: What foundation would the value of such paper dollars rest upon? The answer is obvious; viz., upon the desire of mankind to possess a medium of exchange; upon the need of money.

It furthermore may be asked: Is not a human desire and need a slender foundation upon which to rest a national currency? To this question a moment's reflection furnishes a complete reply. Said foundation is precisely the one upon which all values rest. The value of wool depends on human desire for cloth,—upon the need of woolen clothing. The value of houses rests on human desire for a comfortable abode, upon the need of a shelter from the inclemency of the weather. All values of every kind and nature have no foundation and basis whatsoever but human desire and human need.

After the aforesaid change was accomplished we should have comparatively but little more paper money than we now have; but, in several important respects, it would be superior to that now in circulation. It would all be a legal tender for all purposes, with the unimportant exception of previously contracted debts by their terms payable in coin. Lapse of time would soon render this exception unnecessary. To a large extent our present paper money is fair weather money. The national bank-notes pass current for payment of all private debts so long as business moves along smoothly. But the moment apprehension fills the minds of men owing debts which a failure to pay, at a specified time, will involve them in a loss of credit and possible

bankruptcy, such non legal-tender currency is "like a broken tooth and a foot out of joint." It is a false friend. Even the greenbacks, under our present laws, would cease to be a legal tender at the custom house, if specie payments were suspended. Business men would have far greater security than they now have, if the money they handled were all a legal tender. No danger would then exist of being caught with a note to be paid and nominally enough money to pay it with, and then have part of the money rejected because not a full legal tender.

The amount of paper money in circulation would be far more uniform than at present. We now regulate the amount of bank-notes by the so-called "redemption" process. National bankers, as a class, have been continually inveighing against the greenbacks; but whenever an increased demand exists for legal-tender money, they at once hoard greenbacks and contract the amount of bank-notes. They do this to place themselves in better position to "redeem" bank-notes in greenbacks. Their conduct is guided by self-interest, without the slightest regard to the best interests of the community from whom they derive their profits. Temptation to act in this manner would be removed by taking away from the national banks the privilege of issuing paper money.

The expensive machinery of redemption of bank-notes, collection of taxes on circulation, examination of amount of greenbacks held by the banks, etc., could all be dispensed with by a direct issue from the Treasury of all paper money. This would lessen the number of office-holders.

A nation which attempts to regulate the amount of its paper money by what is called "specie payments" must subject itself to the great expense of keeping constantly in the Treasury vaults a large amount of idle coin. No one pretends that the United States can safely carry on the specie payment system with less than one hundred millions of idle coin. In fact we have now about two hundred and fifty millions thus lying idle. At the low rate of three per

cent. per annum, the interest of these large sums is a heavy national burden.

If we regulated the amount of our paper money without recourse to the "redemption" method, we should rid ourselves of the danger now constantly present, that war, or severe financial disturbance in foreign nations, will drain away a sufficient amount of coin to cause an involuntary suspension of specie payments with its attendant industrial and commercial derangement.

It would also be a great advantage to the nation to be rid of a class of men whose selfish interests prompt them to continually plot against the welfare of the industrial classes. When the unjust privilege of issuing money is taken from the banks, one such class will disappear.

THIRD. Restore the coinage of silver to its ancient and rightful position. Make the coinage of the silver dollar unlimited with no charge for coinage beyond the attendant expense. Those who fear a "flood of silver dollars" should ask themselves: Where is the silver bullion to come from wherewith to coin the "flood"? By no possibility could silver dollars be worth less than the bullion from which they are coined. To-day (Nov., 1885), the bullion in a silver dollar has a higher value than the gold dollar had in 1873. Thus if the "flood" came it would have the effect which a flood of gold dollars would have had in 1873. The absurdity of talking about the wrongs which creditors would suffer if paid in silver dollars worth more than the gold dollar was in 1873, is apparent.

FOURTH. Discontinue the coinage of the silver half dollar and coin those existing into standard silver dollars. Instead, issue paper money of the denomination of half dollars to such amount as the people wish to pay for in dollars. Such fractional money to be exchangeable, at the pleasure of its holders, for any other kind of national money and to be a legal tender for all purposes to the extent of ten dollars.

FIFTH. Issue coin certificates, payable on demand, at the option of the Government, in either gold or silver, to any

one who chooses to deposit either silver or gold dollars in the United States Treasury. Said certificates to be limited only by the number of dollars thus deposited; and to be of denominations of two, five, ten, twenty-five, one hundred and one thousand dollars.

A PERFECT CURRENCY.

The reader may ask: Would a compliance with the aforesaid suggestions create a currency of a perfectly uniform value? I answer, No. In order to make dollars of uniform value, the Government must make, not a part, but all of them from a material over which it has complete control. It must have intelligence enough to maintain a uniform relation between the number of those dollars and the amount of exchanges effected therewith. It must have integrity and watchfulness over the welfare of all sufficient to resist class importunities and appeals for either an increase, or a diminution of the relative number of dollars in circulation; and it must have stability and power enough to prevent counterfeiting and to enforce its decrees in all respects.

Why then make the foregoing suggestions? Because they would create a currency of far more uniform value than the one we now have, and, in all probability, as stable a currency as the American people are now qualified to ordain and maintain. At present the total number of dollars in circulation fluctuates from two causes; to wit, alterations in the number of paper dollars, and changes in the number of metallic dollars. And our financial history shows that greater changes have occurred in the number of paper dollars than in the number of metallic dollars. Under a system similar to that above outlined, the number of paper dollars would be substantially a fixed one. It would not always bear the same relation to the commerce of the country, but it would to the population, and this would give it a far more invariable quality than has ever been possessed by any paper money in the United States.

The changes in the total number of our dollars, instead

of arising from TWO sources as at present, would then arise from only ONE cause; to wit, alterations in the number of metallic dollars. Financial disturbances in foreign nations, then, as now, could change the number of our metallic dollars. But, unlike the present, such events would not have the slightest effect on the number of our paper dollars, which would form the major portion of the total number of dollars.

SUCCESSFUL USE OF PAPER MONEY REQUIRES INTELLIGENCE.

Philosophic and profound writers on Finance have stated that the use of gold and silver as money is a relic of barbarism which will eventually disappear. This is undoubtedly true. But, instead of being a conclusive reason against our further employment of those metals, as money, it is an unanswerable argument in favor of their use at present. For, in fact, we have not yet emerged from barbarism; we are merely emerging from that state. We have only partially rid ourselves of barbaric customs, laws, and ideas. What will the historians of the thirtieth century say of a people among whom the possession of wealth, no matter how obtained, insured distinguished social consideration and was a sufficient qualification to enable an ignorant man to become governor of a State, a United States senator, or obtain other high official positions?

A great moralist has said that "national amusements are an unerring index of national civilization." Judged by this criterion, we are but little removed from the ignorance and brutality of ancient nations whose highest pleasure was found in witnessing savage and bloody combats between man and man and between men and wild beasts. Our newspapers print what is known will please a large portion of their readers. They daily contain accounts of disgusting prize fights between brutes in human form, and of revolting struggles between dogs more refined than those who urge them to mutilate and kill each other. The percentage of our population which does not take pleasure in the "sport"

of maiming and murdering inoffensive and defenseless birds and animals is deplorably small.

A few years ago a man, clearly and palpably insane, wounded the President of the United States. After a considerable time, his death ensued. The correctness of the President's medical treatment was questioned by some of the most distinguished practitioners in the world. Notwithstanding these facts, the majority of the American people, from one end of the land to another, howled like a pack of hungry wolves for the gratification of having a poor helpless wretch barbarously put to death. But enough of such humiliating facts. Why recite a hundred more?

WHAT WILL ULTIMATELY OCCUR.

Whenever the people of the United States become sufficiently intelligent to create and maintain a currency composed entirely of absolute paper money they will relegate gold and silver to their final and proper position. Both gold and silver will be demonetized. Those metals will then occupy precisely the same relation in the business and commercial world that are now occupied by iron, tin, copper, quicksilver, platinum, zinc and other metals. They will be commodities bought and sold by weight and their price will be stated, not, as at present, by fractions and pieces of themselves, but by the units of an absolute paper money, automatically regulated in amount. An increase or a decrease of the amount of those metals in the country might then affect the value of a pound of one, or both of them, but would have no influence, as at present, upon the value of all other commodities in the land. The solvency or bankruptcy of large numbers of business men would not then, as now, depend on the occurrence of events in some part of the world which created an increased or a diminished demand for one or two things; to wit, for silver or gold. The absurdity of placing the vast equities constantly existing between sixty millions of people, in their manifold business and commercial associations, at the mercy and upon the hazard of a rise or fall in the value of one or two

commodities would then become apparent. Wonder would then arise how such a crude mode of estimating what justice required one person should receive from another, could have been so long in existence.

A child cannot be made able to walk by placing it in the middle of a room and ordering it to walk. Ability to walk is an attainment made possible only by the infant's gradual development and no arbitrary means can otherwise hasten it.

The people of the United States are now probably far enough developed to make a portion of their money on correct principles. After that step has been taken and has given the general satisfaction which it inevitably would, a popular demand for an extension of the system of absolute paper money would arise. The first step in the right direction is therefore the essential one. All others will necessarily follow the progress made in acquiring and practically using a knowledge of true financial principles. What are now called " obscure financial problems " will then be dismissed to the limbo now occupied by many " problems " which puzzled mankind in the year 1300.

CHAPTER XXI.

Ought the United States maintain the Gold, and the Silver Dollar at an Equality of Value?—Folly of Blindly imitating other Nations.—What We have Actually done.—What We should now do.—How Foreign Commerce is Conducted.—Foreign Trade is a Barter of one Thing for Another.—The Incentive of Trade.—Why Men engage in Foreign Commerce.—Use of Bills of Exchange.—How England Trades.—What Wealth is.—Would it not be an Advantage to have Money similar to the Nations with whom our Trade is chiefly conducted?—What effect would Unlimited Coinage of Silver Produce?—Silver Bullion will Never be Easily Obtained.—The End which Laws should Seek.—The Par Value Delusion.—Effect of Limited Coinage.—Artificial Value of Coins.—Hard Pan.—Gold Premium.—True Test of Value.—How Evils can be Averted.—Social Problems will always be before Mankind.—What Inflation can do.—Confederate Money.—A Cotton Basis for Money.—Why Goods are not Sold when active Inflation is Progressing.—Study of Social Topics.—Conclusion.

"*The simple believeth every word: but the prudent man looketh well to his going.*"

We have heretofore found that the ultimate object and end of our governmental policy should be to establish justice and promote the prosperity and development of the American people. To that purpose every means should be made subordinate, and we should carefully deliberate before believing the statements of classes whose clamors in behalf of their own interests burden the air.

We have also found that stability of the average rate of prices is one of the most powerful influences which can be devised to secure the aforesaid end. Furthermore, we have found that, as the general scale of prices is merely a reflection of the value of the currency, stability of prices is possible only to the extent that uniformity of value is maintained by the money in which those prices are stated. It follows that the answer to the aforesaid question resolves

itself into this: Would such a measure create stability of prices?

A large number of persons constantly proclaim that if we establish unlimited coinage of both gold and silver, that instead of the silver and gold dollars being on an equality of value, the gold dollar will be at a premium and be dearer than at present. They furthermore tell us that such an inequality would produce greater fluctuations in prices than now exist and be very disastrous to the national prosperity. The chief argument in support of their doctrines is that as gold has a fixed value and is the standard of coinage in the nations with whom the bulk of our foreign commerce is conducted; to wit, with England, France, Holland, and Germany, it is necessary for us to have a similar currency on an equality of value with those nations. Let us now see if the aforesaid statements be correct.

FOLLY OF BLINDLY IMITATING OTHER NATIONS.

In the opinion of many intelligent observers, the peace of Europe is akin to the peace of a man with a keg of gunpowder and a lot of shavings stored in the cellar of his house. At any time, a general war or widely spread revolutionary movements may occur. Suppose, as a result of such events, the money of European nations should become worth only one-half what it now is. If the commerce of this country require that our money should conform to the European standard, in such case it would logically and inevitably follow that we should at once change our currency to an equality with that of the nations with whom we trade. But the same persons who gravely assure us we cannot advantageously trade with Holland unless our merchants employ the same kind of money in use in that country would protest against such a step. On the other hand, it would also follow that if European nations adopted measures to double the present value of their money, we should properly do the same thing with ours and make the term "one dollar" mean as much value as the term "two dollars" now does.

Adoption of the foregoing principles would be an entire abandonment of the idea of maintaining a stable currency and stable prices in this country. In its stead, we should act on the notion that every fluctuation in the value of European money and consequently every change in European prices should be reproduced in the United States by appropriate legislation.

WHAT WE HAVE ACTUALLY DONE.

Absurd as the aforesaid proposition is, in fact, it is precisely what we have been doing since 1873. European nations changed the meaning of the words "pound," "franc," "mark," etc., by striking silver out of the statute books as a legal tender and denying it free coinage. This proceeding has resulted in an appreciation of the value of gold to the extent of over 20 per cent. Prices have fallen in the same ratio and Europe has suffered all the evils of a contracting currency. Money has risen in value while all other property has relatively fallen. Instead of seeking to maintain uniformity in the value of their money and stability in prices, those nations have steadily legislated to create dearer money and cheaper goods and labor. Universal distress has thus been produced among the industrial classes while the holders of over twenty thousand million dollars' worth of national bonds have been correspondingly enriched. Practically the public debts have thus been silently increased to the enormous amount of four thousand millions of dollars, without including the addition to private indebtedness and the increase in the value of railroad bonds.

In 1873, silver was slyly demonetized in the United States. The foregoing tables of prices show conclusively that the great change which has occurred in the meaning of the term "one dollar" would not have taken place if, without reference to the conduct of other nations, we had steadily adhered to the principle of maintaining a stable currency and stable prices in the United States. Instead of that, we have been deluded with the notion, industri-

ously disseminated by persons who would make a profit from its adoption, that because Europe had so legislated as to change the value of money and the scale of prices, therefore, great disasters would befall us if we did not follow in her footsteps. Without examination we have believed these false cries. The tables aforesaid show that if we had not demonetized silver, prices in the United States, since 1873, would have remained nearly on the level of prices in gold at that time. This would have prevented an enormous amount of wrong and suffering in this country, and in consequence of the steadier employment of labor, and greater creation of wealth, the United States would be far richer than at present. But a few persons would not have been as rich as they now are.

WHAT WE SHOULD NOW DO.

Shall we now continue to maintain our money at the artificial height to which it has been raised by demonetizing silver? Or, shall we return to the sound principle that stability in the value of United States money should be sought for, without the slightest reference to the fluctuations in the value of the money of foreign nations? The latter course would not derange our foreign commerce in the slightest degree. Having money different from that of England would have no more effect upon our trade with England than if she adopted silver and we retained gold. If England doubled the value of a pound sterling, or made it one half what it now is, such a proceeding would not in the least disable us from trading with England.

HOW FOREIGN COMMERCE IS CONDUCTED.

Commerce between nations is carried on by an exchange of commodities. Money is not used in such trade. There is no such thing as international money. To a comparatively small extent, gold and silver are used to pay balances in such transactions but they are used as *commodities* and not as money. If a New York merchant owe a merchant in London ten thousand dollars he always sends him directly,

or indirectly, some commodity in payment. This may be a certain number of bales of cotton, a certain number of bushels of corn, or a certain number of ounces of gold bullion. Whether payment be made in quicksilver, copper, lead or gold, the principle of the transaction is precisely the same. Payment is made by a commodity. The price of this commodity is computed in the kind of money stated in the agreement. But this is only a matter of a little arithmetic and does not, of itself, affect the actual cost of the commodity to either party. When greenbacks were quoted at a discount of 50 per cent., it made no difference to the New York merchant, in settling his accounts with a London merchant, whether the wheat shipped to Liverpool were computed at its price in greenbacks, or its price in gold. It was essentially a question of a little computation. If all nations in the world adopted the American silver dollar as the basis of computing values, the only practical difference resulting therefrom would be a little saving of time in computation.

From 1797, for upwards of twenty years, England suspended specie payments. But this made no difference in the mode in which her merchants paid for foreign goods. It was done with commodities before suspension, and after suspension the payment went on as before. When specie payments were suspended in this country in 1861, that event did not arrest our foreign commerce for a day; simply because foreign payments are made, not in money, but in commodities.

If the merchants of this country could not trade with foreign nations unless provided with the same kind of money as those nations, our mints would be asked to coin the money of every country with whom we hold commerce. A person trading with Russia would need "roubles"; he would need "marks" to trade with Germany; "francs" to trade with France, etc., etc. But, in fact, merchants do not need anything of the kind. Silver dollars are the Mexican money. But it does not therefore follow that in order to trade with Mexico merchants must provide themselves with

silver dollars. The essential thing in foreign trade is that something should be sent abroad which foreigners prefer to what they already have and which they are ready to give in exchange for what has been sent them.

Foreign commerce is not conducted for amusement. Neither is it carried on from benevolent or philanthropic motives. Foreign commerce originates, whenever a man thinks he can make a profit by buying a commodity in one place, changing its value by carrying it to another place, and there exchanging it for some commodity the value of which can be increased by bringing it, on the return journey, to the place from which the first bought commodity was taken. The result of this transaction is that he has been the middle-man through whose help parties in one country have bartered goods with persons in another country.

FOREIGN TRADE IS A BARTER OF ONE THING FOR ANOTHER.

Let us sketch the steps by which farmers in Illinois trade with farmers in Brazil and barter wheat for coffee. The Illinois farmers sell their wheat for the dollars current in the United States. This wheat is taken to a mill and after being ground is shipped to New York, in which market it is sold, as so many barrels of flour, to a merchant who carries on commerce with Brazil. This merchant pays for it with the dollars current in the United States. The flour is then shipped to Rio Janeiro and there sold for the money current in Rio Janeiro. With the proceeds from the sale of the flour, a cargo of coffee is bought and paid for in the same money received for the flour.

Or, as is frequently the case, when the ship arrives in the harbor of Rio Janeiro, the person in charge of the cargo goes to a dealer in coffee and says: "I wish to buy a cargo of coffee. How much is coffee worth?" After learning that fact, the next question is: "What will you allow me per barrel for my flour and give me pay in coffee at so much per hundred pounds?" If a bargain be made, the parties

thereto compute the value of the flour and coffee and ascertain how much coffee shall be given in exchange for the flour. The coffee is then brought to New York and sold for dollars current in the United States to a wholesale dealer in coffee. This dealer sells directly, or indirectly, to a retail dealer of coffee in Illinois. He sells it to the same farmers who sold the wheat, (the flour from which was traded for the coffee,) and takes his pay in the same dollars paid for the wheat. In Brazil the flour is passed from hand to hand until it reaches the farmers who consume it and pay for it with coffee.

The barter has then been completed. The farmers of Illinois have exchanged their grain with the farmers of Brazil. The result is similar to what would have occurred if a farmer in Illinois could have walked across the road to a telephone office and said to a farmer in Brazil: "How much coffee will you give me for a bushel of wheat?" The only difference is that the wheat grower and the coffee planter have both had to pay a profit to several middlemen, in addition to the charges for freight. The result of this expense is that the man who consumes the flour gives a great deal more coffee for it than is received by the man who raised the wheat. And the man who consumes the coffee gives more wheat for it than is received by the coffee planters.

What becomes of the surplus wheat not received or consumed by the coffee planter, and the surplus coffee not received by the wheat raiser? The answer is obvious. Part of it has been expended in paying the actual cost of transportation; the balance of those commodities has been taken, by the merchants who carried on this barter, as profits. *To get possession of this surplus, or balance of commodities, is the object of those who conduct foreign commerce and the purpose for which they engage in it.*

THE INCENTIVE OF TRADE.

In the foregoing example, it is apparent that the principals of the trade are the wheat grower and the coffee

planter. It is also evident that the incentive to the exchange of commodities is the antecedent fact that A has a surplus of the thing which B lacks and is ready and willing to exchange therefor an article desired by A. It further appears that a difference between the kind of money used in Illinois and that used in Brazil has not in the least hindered the trade. Why is this? Simply because the Illinois man made the barter, not for the purpose of getting money, but for the purpose of getting coffee. The Brazilian made the barter, not for the purpose of getting the money of the Illinoisian, but for the purpose of getting his wheat in form of flour. The motives of the trade explain why it has been conducted as it has.

WHY MEN ENGAGE IN FOREIGN COMMERCE.

We have seen that the principals engaged in bartering wheat and coffee care nothing whatever about having a similarity between the money of Illinois and the money of Brazil. Let us now see whether the agents and subordinates in this barter care any more about such similarity than their principals do. The ultimate reason which induces the New York merchant to become a party to the aforesaid barter, is a desire to increase his wealth. The form of said wealth is entirely subordinate to the essential end and purpose; to wit, its increase. He does not particularly care whether he becomes possessed of Brazilian money, or any other money, or special thing, whatsoever. The sole question before him is this: After this transaction be completed, will I have more wealth than at present? All other facts and considerations are secondary, and no consequence whatever, except in so far as they may, or may not, tend to produce the final result desired. When considering the enterprise, he has before him the price of flour in New York stated in United States money; the price of flour in Rio Janeiro stated in Brazilian money; the price of coffee in Rio Janeiro stated in Brazilian money; the price of coffee in New York stated in United States money; and the expenses of conducting the business. It

is a simple problem in arithmetic. If the solution of this problem show the probability of his owning enough more United States dollars, or more dollars' worth, after the transaction be completed than before, to warrant the labor and risk, he embarks in it. Otherwise, he does not.

Whether Brazil has or has not the same kind of money as the United States, does not influence him in the least. He only wishes to know whether a profit can be made out of the trade. Neither would he be influenced in the slightest by knowledge that the money of Brazil was superior to the money of the United States. He would care no more for that than for the fact that the climate of Rio Janeiro, in some respects, is superior to that of New York.

USE OF BILLS OF EXCHANGE.

In the aforesaid example, we have assumed that the value of the coffee given in exchange for the flour, was equal to that of the flour. Let us now see what occurs when the value of the coffee exceeds that of the flour. In such case, the balance due the Brazilian merchant would be first computed in the money of Rio Janeiro. This balance might then be paid in various ways; but the principle of payment would always be the same; to wit, payment would be made in a commodity. The agent in charge of the ship's cargo might pay this balance by having brought with him in the ship some bales of dry goods, some boxes of hardware, some agricultural implements, or some bars of silver or gold bullion. By some of these things, as commodities, the balance might be paid directly or indirectly, in Rio Janeiro. Or the ship's agent might say: "My principal has shipped a valuable commodity to Liverpool; to wit, a large number of bales of cotton. In payment for that cotton there is due him another valuable commodity; to wit, so many ounces of gold or silver bullion. I have brought with me certain documents which are evidence of those facts. Now, I will give you an order directing the debtors of my principal to deliver as much of this commodity to you as is necessary to pay the balance due you."

Thus the Brazilian merchant is placed in ownership of a commodity in London and the balance is thereby canceled between him and the New York merchant. The Brazilian merchant then directly, or indirectly, says to a coffee planter: "My stock of coffee is reduced. I wish to buy your crop. You owe a debt in London for dry goods. I own a valuable commodity in London. I will transfer to you the ownership of this commodity in payment for your coffee. You can then transfer this commodity to your creditors in London and you will then have paid your debt and I will own your coffee."

The above named transfers of the ownership of commodities are made by what are called bills of exchange and drafts. These are nothing more nor less than a convenient means of exchanging one commodity for another and paying a balance due one man, as a result of such exchange, by giving him some other commodity.

HOW ENGLAND TRADES.

England trades with every nation on the globe. Gold sovereigns are the peculiar money of England. But, when English merchants send out their ships on trading voyages they do not load them with sovereigns. They load their ships with commodities and send them to places where those commodities can be traded for other commodities, at such a ratio of exchange, as will insure a profit when the return cargo is sold in England, or such other place as it may be carried. For example, England ships hardware and dry goods to Russia and takes hemp in exchange. The fact that the money of England is different from the money of Russia does not prevent such exchanges. The trade occurs because a man in Russia has a surplus of hemp and lacks hardware and cloth. At the same time, a man in England has a surplus of hardware and cloth and wants hemp. The men who carry on this barter are called foreign merchants, and they do so because they get a profitable fraction of the goods traded for doing the business. This fraction they

get directly, or indirectly, as the case may be; but they always get it, or cease to carry on the trade.

WHAT WEALTH IS.

A man is not necessarily poor because he have no money. Wealth depends on the ownership of valuable things and on the capacity and means of creating other valuable things. For instance, here is a man who owns a thousand acres of fertile land. It is situated in a salubrious region, convenient to markets, and is under a high state of cultivation. On it stands a substantial farm-house well supplied with furniture and every needed convenience. The barns and out-houses are commodious. The farm is stocked with the best breeds of horses and cattle and amply supplied with all kinds of agricultural implements and machines. The granaries are overflowing with grain. The dairy house is piled full of cheese and butter. Large amounts of hay lie untouched and stocks of grain are unthreshed. The farmer owns all these things free of debt, but he has only five dollars in money. Would any one be foolish enough to think such a man poor? He is rich because he owns a large amount of valuable commodities and is constantly creating more. These he can exchange for other commodities and supply his wants at will.

What is true of an individual is equally true of a nation. Its wealth does not consist simply of money, but of valuable commodities and the power to create others. A nation with abundance of valuable surplus commodities need entertain no fears of being unable to barter them with other nations for other commodities. Whether her money be the same as that of other nations, or not, is immaterial. The essential thing is that she shall be able to give in exchange valuable products needed by other nations. And the kind of her money, in itself, has no influence on her foreign commerce. Money of stable and uniform value is necessary to promote equitable dealings between her own citizens and enable them to easily hold industrial and commercial association with each other. The money of Russia, Turkey, or

Germany does not concern the people of the United States any more than the school system of those nations, or any other feature or department of their domestic government. We should attend strictly to our own business and not meddle with that of other nations. American statesmen should see that American citizens possess a stable currency —no matter what currency other nations may have.

WOULD IT NOT BE AN ADVANTAGE TO HAVE MONEY SIMILAR TO THE NATIONS WITH WHOM OUR TRADE IS CHIEFLY CONDUCTED?

That depends on circumstances. If those nations maintained a stable currency, it would be a trifling advantage to us to have a currency precisely like it. If their currency were unstable, it would be a disadvantage to us to conform ours to it. It is of great advantage to the United States to establish a stable currency for use in our own country; but whether this currency be similar to that of Russia, Germany, or any other nation, is of comparatively little importance. It is a minor detail which should always be subordinated to the vital and essential thing, uniformity of value.

It would be some commercial convenience if the Russians, Germans, French, Spanish, Portuguese, Italians, and Turks would all abolish their own, and use the English language. But there is not the slightest probability at present of their doing so. If they did, the only commercial advantage we should derive from it would be a saving of the existing necessity of translating those different languages into ours. But this is not a serious impediment to interchange of ideas. Considerable numbers of persons are familiar with more than one language and readily translate one into another. After that is done, the printing press becomes a universal interpreter and translator.

So long as a diversity of national language exists, every merchant engaged in foreign commerce must directly or indirectly use the services of an interpreter and translator. The person who does this work at the same time translates foreign money into domestic money. If Germany adopted

the English language and used the same kind of metallic money as ours, a translation of German money into United States money would still be necessary unless we could persuade the Germans to discard the use of "marks" and substitute "dollars" therefor. The far distant future may witness a change of this kind,—but it is idle to speculate upon it. Even if such a change were accomplished its chief advantage would be the saving of a little arithmetic. As all commercial transactions must in any conceivable case be computed, such an economy would be comparatively trifling. Every foreign merchant has printed tables, which enable him at a single glance to translate one kind of money into another. Whether this money be made of gold or silver makes no difference in the principle on which this translation is made.

WHAT EFFECT WOULD UNLIMITED COINAGE OF SILVER PRODUCE?

What the relative value of gold and silver will be in the future no one can accurately predict, simply because no one knows what conditions those metals will hereafter be under. Our positive knowledge in that respect is bounded by the fact that the circumstances and conditions relating to them then, as now, will determine both their value relative to each other and toward all other things.

The unlimited coinage of silver would increase the number of dollars in circulation. The value of each one of those dollars would not be less than the value of the silver bullion contained in one of them. We have heretofore shown that this bullion has now a greater value than it had in 1872, but this is less than the present value of one of our coined dollars. Under unlimited silver coinage the value of each one of our dollars would closely approximate the value of the gold dollar in 1872. The prices of commodities, the rate of wages and the price of real estate would consequently rise to about the level they stood in 1872, stated in gold. The men now unable to sell their goods and lands, and consequently overwhelmed with debt,

would be relieved from the condition created by the demonetization of silver and the consequent arbitrary changes in the relative value of dollars and commodities. This would revive business, diminish the number of idle persons and the amount of idle machinery and thus increase our daily production of wealth. It would strengthen the tendency for this country to become by far the richest nation in the world. This would necessitate the use of an additional amount of money.

Whether we should then use nothing as metallic money but silver coins, no one can predict with absolute certainty. Under present conditions it is extremely probable that still less gold than at present would be in circulation.

SILVER BULLION WILL NEVER BE EASILY OBTAINED.

But we must remember that the demand for silver relative to the supply, both for use in the arts and for money, is steadily increasing, as fully shown heretofore by tables of average relative prices. This fact has been obscured by the more conspicuous advance in the value of gold, but its existence is nevertheless certain. A great commercial development is progressing in Asia, Africa and South America, all silver-using continents. Their population is so numerous, and their present stock of silver so relatively small, that the addition of twenty-five cents per head to the silver in use among them would immediately change the present relative value of silver and gold in a marked degree. An active demand for silver for the Asiatic trade may spring up at any time. Whenever a change of this kind is seen to be inevitable, the probabilities are that the mints of the Latin Union will be opened for silver coinage more freely than at present. Such a succession of steps may soon occur, and as our ratio of coinage is sixteen pounds of silver to one of gold, while that of Europe is fifteen and a half of silver to one of gold, it would not have to proceed very far before the bullion value of a United States silver dollar would approximate the value of a gold dollar sufficiently to prevent gold exportation. Moreover,

the considerations heretofore set forth show that the *materials* from which our money shall be made is of very little importance. Stability of the amount of money is the vital thing.

It should also be borne in mind that the large amount of gold which the United States have drawn from Europe during the last ten years has powerfully tended to widen the difference between the relative value of gold and silver on that continent. Whenever any considerable portion of the gold now held in this country is returned to Europe, a result will be produced precisely the opposite of that caused by diminishing the amount of gold there held. Every million dollars' worth of gold shipped to Europe tends to lower the value of gold in Europe and correspondingly enhance the relative value of silver.

But there are other far more important considerations than the foregoing. So long as we use gold as money, in order to retain gold in this country we must increase the wealth of this country. In the words of Adam Smith: "Gold and silver, like other commodities, naturally seek the market where the best price is paid for them, and the best price is commonly given for everything in the country which can best afford it." In order to increase our wealth we must keep the labor and machinery of the country fully at work, and this can best be done by abandoning the idea of enacting special legislation to retain gold in this country, and instead of that absurdity adopting a policy better fitted to promote equity between all classes of persons.

THE END WHICH LAWS SHOULD SEEK.

The ultimate object of our Government should be to advance the material prosperity, the happiness and the intellectual and moral development of all those within its jurisdiction. So long as these purposes are fulfilled, it is of little consequence whether a large or a small amount of gold remain in this country. If gold leave us, as it may, it will only be because we can more profitably sell than keep it. Its owners will not give it away.

A considerable portion of Adam Smith's "Wealth of Nations" is devoted to showing the fallacy of legislation enacted on the theory that the wealth of a nation is determined by the amount of the precious metals within its borders; and that therefore measures should be adopted to prevent their exportation. Adam Smith's arguments on that matter have never been refuted. They apply with the same force to our present situation as they did to England in 1775.

What would be thought of the wisdom of a merchant who owed $50,000, drawing interest, and kept $50,000 locked up in his safe? If it would be wisdom for an individual to use his idle money to pay interest-bearing debts, it is wisdom for a nation to pursue the same policy. By so doing the national wealth would not be diminished. On the contrary, its condition would be improved, and a drain for interest account stopped.

Under a correct monetary system there would be no more reason for being alarmed because five millions of gold were shipped from this country in a week than for alarm because five million dollars' worth of some other commodity were exported in a week.

A rich merchant, unaware of the greater wealth of Girard, is reported to have petulantly said to him, "I can buy you, and sell you." To which Girard calmly replied, "That is true. But I can buy thee and keep thee."

An increase of capital, a greater diversity and a greater power of annual production, more fixed wealth, more contented and intelligent laborers, and freedom from foreign indebtedness will enable the American people not only to buy gold whenever they have use for it, but also give them power to keep it when they wish to do so.

THE PAR VALUE DELUSION.

With unlimited coinage, free from any charge beyond its actual cost, gold and silver may properly be called commodity money. That is, the normal value of a silver coin is the value of the silver bullion contained therein, plus the

cost of coinage. And in like manner the normal value of a gold coin is the value of the gold bullion contained therein, plus the cost of coinage. *But it must be steadily borne in mind, that this is only the case under unrestricted coinage of both metals.*

Whenever any legislative interference be interposed to the free coinage of both gold and silver, the nature of money made of those metals is radically changed. It ceases to be a commodity money and at once partakes of the nature of paper money. Its commodity character is more or less merged into a numerical value. We have heretofore found that the value of a coin depends on the number of those coins in circulation. Under free coinage of both gold and silver, the number of gold and silver coins depends chiefly upon the amount of gold and silver bullion in existence. The amount of material from which those coins can be made is thus the dominant fact which fixes the value of one of those coins. Legislation cannot increase the amount of bullion, and so long as the weight and fineness of coins are unchanged, their value depends to a considerable extent on the amount of bullion in human possession.

EFFECT OF LIMITED COINAGE.

But the moment legislation by any means whatsoever determines the number of legal-tender coins, their number is then determined by law, and not by the automatic increase or decrease in the amount of the commodities from which they can be made. This is so simply because the number of coins is no longer influenced by the amount of bullion; that dominant fact under free coinage, is eliminated and in place of it is substituted the legislative enactment which determines the number of coins regardless of the amount of bullion.

We have heretofore discussed the fact that the value of one commodity, of two things which are used for a similar purpose, can be affected without increasing or diminishing its amount. Any fact which changes the amount of the

other commodity has substantially the same effect as a direct interference with the use and amount of the first named commodity.

It therefore follows that in order to change the commodity value of a silver coin it is not necessary to directly interfere with the coinage of silver. An interference with the free coinage of gold would produce the same result. Furthermore, it follows that a change in the commodity value of a gold coin can be produced without interfering with the free coinage of gold. An interference with the coinage of silver will produce the same result.

No matter which metal is denied free coinage, while the other is unrestrictedly coined, the bullion, or commodity, value of the metal which is coined will always equal the value of one of the coins made therefrom, less the cost of coinage. But the value of one of the coins made from the metal denied free coinage will be greater than its commodity value. A new condition has entered to affect its value; viz., legislative restriction on the number of those coins. To the effect of the number of such coins, due to natural limitations of their material, is added the legislative restriction on the amount of this material which shall be converted into coins. If this legislative restriction be rigid enough, coins made from a metal with less commodity value than the metal freely coined, will have the same value as the coins whose commodity value and coined value differ only by the cost of coinage. Thus, at the present time gold is unrestrictedly coined while the coinage of silver is restricted. The result is seen in an increased value of gold bullion, and a consequent increase of the value of the coins made therefrom. The silver coins have the same value as the gold coins because restricted in number. In other words, both the gold coins and the silver coins are at a premium above their normal value; viz., their commodity value under free coinage of both metals. For it must be steadily remembered that the value of *one* of all the coins in use depends upon the total number of such coins. As a result of this principle, an increase of the number of silver coins

has precisely the same influence on the value of each and every one of the gold coins, that would be exerted if by some chemical process, silver could be transmuted into gold. In either case the practical result would be the same, *i. e.*, an increase in the total number of legal-tender coins and a corresponding decrease in the value of each one of them.

ARTIFICIAL VALUE OF COINS.

The artificial price, the premium above their normal value, which a gold dollar and a silver dollar now command is shown by the average scale of prices being lower by reason of restricted coinage. This premium on legal-tender coins above their natural value under free coinage could be increased to ten times what it now is ; or, in fact, to almost any conceivable extent. All that would be requisite to produce this result would be to still further restrict the coinage. Silver coinage and the use of silver already coined could be abolished. After that another step might be taken in the same direction. The coinage of gold could be placed under such restrictions that the value of a gold coin would be many times greater than the value of the bullion contained therein. The difference between a gold coin and its materials could be made as great as the difference between the value of a one-dollar greenback and the value of the paper rags from which that greenback is made. Sufficient limitation of the number of gold dollars would make the term "one gold dollar" mean as much value as the term "twenty gold dollars" now does. In fact, the value of "one gold dollar" would depend only on the practical extent to which a restriction of the number of those dollars and the number of other fellow legal-tender dollars, could be carried.

HARD PAN.

If the reader will carefully ponder the foregoing considerations he will recognize the fallacy of the popular ideas in regard to what is called "hard pan." That is, the notion that by using a gold currency, a scale of prices is

reached which it is impossible shall become any lower, and therefore are "hard-pan prices." When we consider that prices always reflect the value of the units in which they are stated; and that the value of one of these units depends on the total number of those units, we see that variations in prices depend on variations in the number of monetary units. *Finally, we see that the only "hard pan" limit, to which prices may be depressed, is the practical extent to which the mass of mankind will allow those, who could make a profit by restricting the number of monetary units, to actually do so.*

Under unrestricted coinage and free circulation of both gold and silver coins, there is a natural limit below which prices will not usually fall. That is determined by the total number of coins in circulation, which fact is largely governed, under such conditions, by the amount of bullion in human possession. But whenever a limitation be made of the number of coins in use, the only limit to a fall in prices is the extent to which the use of coins is restricted. And it practically makes little difference how this limitation of the number of coins is produced. It may be by the demonetization of silver; by the demonetization of gold, by locking up the coins, or by a variety of other methods. The essential thing to lower prices being a contraction of the number of monetary units in circulation.

GOLD PREMIUM.

Many persons imagine that unrestricted coinage of silver would *produce* a premium on gold dollars and make them dearer than at present. The simple fact is that a premium on a gold dollar already exists. Its value has been enhanced by legislative restrictions on silver coinage. This premium is now obscured from the view of ordinary observers by the fact that limitation of silver dollars has given them a premium also. But unrestricted coinage of silver would remove the "par value" delusion and make the actual fact apparent to all.

Instead of making gold dearer, as is commonly supposed, such a measure would cheapen the gold dollar. Superfi-

cially it might appear higher but in reality it would be lower. For example, in the month of December, 1872, the gold dollar was at a premium of 13 per cent. over the greenback. When this premium disappeared many supposed gold had been "cheapened by resumption." In fact, that view of it was stated in thousands of newspapers. Although gold is now at par with greenbacks it is really much dearer than in 1872.

TRUE TEST OF VALUE.

The only accurate test of the value of a dollar is this: How much labor or how much of the products of labor must be given in exchange for it? What must be paid to get it? Whoever doubts that gold is dearer now than in December, 1872, is invited to compute how much labor, or how much of one of its products, was required to get a hundred gold dollars then, and how much is now required.

The aforesaid considerations show that the unrestricted coinage of silver by the United States would inevitably lower the present value of a gold dollar. How much it would lower it no one can compute with accuracy, because there are several conditions involved not definitely known. If one hundred millions of the gold now locked up in this country were displaced by silver and shipped to Europe, the effect on the value of the gold in Europe would be the same as if we had shipped one hundred millions of silver to Europe and on the voyage it had, by a chemical process, been converted into gold. In fact, there would then be one hundred millions more gold in Europe and the value of each ounce of gold would be correspondingly lowered. A general rise in European prices would be the result. The present disparity between the value of gold bullion and silver bullion would be diminished. The gold dollar might be nominally five, or ten per cent. above the value of the silver dollar, but in reality it would be much cheaper than now. Less labor would be required to obtain one gold dollar.

HOW EVILS CAN BE AVERTED.

In view of the readiness with which prices can be depressed, by contraction of the currency to a point so low that every person in debt twenty-five per cent. of his total assets would thereby be made bankrupt and penniless, the question naturally arises: What security have the masses of the people that the few persons who would profit by such a contraction will not at any time influence legislation and produce it? The answer is the same that applies to the question of protection from all kinds of aggression and wrong; to wit, the intelligence, vigilance, and courage of the people. "Eternal vigilance is the price of liberty."

The wrongs and sufferings which have recently been inflicted on the masses of Europe and this country, were possible because the people have hitherto neglected to study economic principles and consequently were easily misled. Especially is this true of the United States, where every man by his ballot has a share in the Government. Besides failing to observe the grave defects in our financial laws and modes of taxation, the majority have not seen that the existence of a large proportion of monopolies is chiefly due to the present system of granting patents and franchises. Ignorance and carelessness on the part of the many have enabled a few cunning and unscrupulous persons to plunder millions of people so silently and imperceptibly, that they did not recognize the hands which committed the theft.

SOCIAL PROBLEMS WILL ALWAYS BE BEFORE MANKIND.

So far as we can learn from history, the average man of the year 1885 has the same disposition to take advantage of his fellow mortals, that the average man had in the year 85. Those who fancy that our laws will soon be such that further watchfulness to prevent spoliation by class legislation will be unnecessary, ignore all the lessons of the past. The social and financial problems now under public debate are not before us for a day, or a year, but for all time. They

can only be solved by reference to eternal principles; and knowledge and practical application of those principles will always be requisite to secure the highest welfare of mankind. A class, comparatively small in numbers, but powerful by reason of wealth and compact organization, will always be on the alert to take covert advantage of the majority, and under cover of law and some hypocritical pretense, adapted to the occasion, quietly appropriate the labor and goods of those who neglect a constant and intelligent defense of their own interests.

The inference from the aforesaid facts is obvious. Our Government derives its authority from the will of the voters. Unless the majority of voters are intelligent enough to recognize the measures adverse to their interests, a cunning minority will mislead them into voting for laws which will enrich the few at the expense of the many. The only safeguard against such an ever present danger is a widely spread knowledge of the true principles of Political Economy and Finance.

WHAT INFLATION CAN DO.

Every fact and principle heretofore stated concerning the effects and evils of diminishing the amount of money and lowering the general scale of prices, when such amount of money has been conformed to by all the business of the country, are equally true, whenever the case be reversed and a great increase made in the amount of money. Such money, no matter what guarantees of its payment may exist, no matter how imperatively all persons are required to receive it at its face value; no matter how much wealth may be pledged for its "redemption," will certainly depreciate. The fatal defect of an excessive number of monetary units admits of no remedy short of a diminution of those excessive numbers.

CONFEDERATE MONEY.

During the recent "unpleasantness" between the Northern and Southern States, I witnessed a striking example of

the truth of the foregoing statements and of the facility with which men can not only mislead others but also deceive themselves. The fortunes of battle left me in a hotel whose landlord was so anxious to protect his guests from burglars and other harm that he guarded their residence night and day with armed men. The Richmond papers were daily brought us by newsboys in quest of our money. Prices throughout the Confederacy had then largely risen as an inevitable sequence of the issue of an immense number of Confederate dollars. But these papers used a kind of reasoning in regard to this fact similar to that used by New York papers in 1885, in regard to contraction. That is, almost every conceivable cause for the admitted change of prices was alleged, but the actual one. Not one of them appeared to think a change in the total amount of money in circulation had anything to do with the change which had occurred in the value of money; and that the scale of prices expressed the altered value of the monetary unit. They gravely stated that prices were high because of under production; the blockade; the difficulty of shipping goods from one place to another because the armies used the railroads; want of labor because so many men were in the army; the waste of war; fears that the negro laborers would get beyond the lines protected by Confederate troops, etc., etc.

A COTTON BASIS FOR MONEY.

These editorials informed their readers that the Confederate Government could safely continue to issue hundreds of millions of dollars. The reason assigned was that, unlike any other similar emission of paper money which had ever taken place in the history of mankind, *Confederate money was based on cotton*, and cotton was a recognized form of wealth in every quarter of the globe. They argued that no matter how much money the Confederacy might issue, so long as each dollar had behind it a dollar's worth of cotton, either in actual existence, or that could readily be produced, such money would not depreciate. Prices would be tempo-

rarily high by reason of other causes, but the amount of such money could not cause a rise of prices.

Then computations were made to show how easily the Confederacy, after obtaining its independence (which was a certain event), could raise whatever amount of cotton that might be needed to "redeem" every dollar based on cotton. The necessity of cotton to all mankind was dwelt on with great minuteness. The idea of questioning the absolute truth of the aforesaid propositions was deemed too absurd to merit serious refutation. The treatment of those who ventured to even doubt the aforesaid doctrines, was additional evidence that there are two kinds of very disagreeable people; to wit, those who tell unpleasant lies, and those who tell unpleasant truths.

The ugly fact that the prices of commodities, stated in this vaunted money, continued to rise was sedulously ascribed to causes other than the real one. In fact, their arguments in substance were the arguments, *reversed*, which all readers of papers in favor of making gold the sole legal tender have recently seen. "The amount of money had nothing to do with the alteration in prices." This last statement was deemed proven by an allegation similar to that employed to show that falling prices cannot be due to exclusive use of gold; viz., "Because the money was so good, it could not possibly create a change of prices."

We all know the final result of this cotton experiment. The money steadily sank in value with each million put in circulation until the amount of it became so enormous that each dollar was worth less than one cent, and then no one wanted it at that rate. From the beginning of this experiment to the end, precisely the same fact appeared which has always been developed in every historical inflation of the currency, viz.: the change in prices faithfully recorded both the change in the amount of the money and the consequent alteration of its value.*

* The following is a copy of a voucher for hospital supplies made three days before the fall of Richmond, the original being the property

WHY GOODS ARE NOT SOLD WHEN ACTIVE INFLATION IS PROGRESSING.

Another striking fact was developed; and as the alteration in the amount of the currency was precisely the opposite of contraction, this fact was precisely the opposite

of C. G. G. Merrill, of this city. The prices named were, of course, Confederate money:

General Hospital No. 9.

1865. To Wm. T. Feutress, Steward.

March 22d,	3 chickens	$90.00
" "	Herbs	10.00
" "	Onions for hash	10.00
" 23d,	1 peck sweet potatoes	33.00
" "	3 doz. eggs at $20	60.00
" "	Pickle	10.00
" 24th,	1 door mat	12.00
" "	3 large shad	90.00
" "	2 large fowls	90.00
" "	1 bushel turnips	35.00
" "	1 peck sweet potatoes	35.00
" 27th,	Ashes for soap	10.00
" "	1 bushel turnips	30.00
" "	Herbs for soup	5.00
" 28th,	Herbs and onions	20.00
" 29th,	Marketing, herbs, &c	8.00
" "	Repairing wagon	6.00
" 30th,	Onions	10.00
" "	1 bunch herbs	1.00
		$565.00

Received at Richmond this 31st day of March, 1865, of John J. Gravatt, Surgeon P. A. C. S., the sum of five hundred and sixty-five dollars in full of the above amount.

WILLIAM T. FEUTRESS,
Hospital Steward.

I certify that the articles purchased as above are necessary; are for the exclusive use of the sick and wounded soldiers, C. S. A., in General Hospital No. 9, and will be applied to their subsistence and comfort alone, and that the articles could not be purchased at a lower rate. The property in this voucher will be borne on my return for the half year ending June 30th, 1865.

SURGEON IN CHARGE.

of the phenomenon produced by contraction. In times of contraction prices are falling, and every one is anxious to *sell* his goods and *keep* his money. But in the Confederacy inflation was in progress, and, as an inevitable result, every one wanted to *keep* his goods and *sell* his money. The reason was obvious. Money was diminishing in value very rapidly. Goods were rising in price so fast that when a merchant had sold at retail he could not replace at wholesale prices. He was worth less than if he had closed his store when it was full of goods. If a man could buy a stock of goods on six months' credit, a handsome profit was certain. Before the six months had passed the price of half the goods would pay the note for the price of all of them, thus leaving the other half of the goods as profits, provided their owner kept them in form of goods.

In short, commerce was diseased. The malady and the symptoms thereof were exactly the opposite of the business derangement which has recently gorged New York and other financial centers with idle money, while on every side great numbers of persons became bankrupt through inability to exchange their goods for money. In New York money has been rising in value and its owners have thereby been prevented from buying goods. They have been waiting for still lower prices of goods and higher value of money. In Richmond goods were rising in value and their owners were disinclined to sell them because the money in which payment would be made was falling in value.

If the Confederacy had obtained its independence, only one course would have sufficed to restore prices and the value of their money to the rate prevailing at the commencement of the war. That course would have essentially consisted of levying, in some form, a tremendous tax on the whole people to be paid in depreciated money, and the destruction of this money as soon as paid into the public treasury. If this had been accomplished to the requisite extent, the value of the remaining money would have been raised. But it is extremely unlikely that any other course

would have been adopted but that which has followed such enormous issues of money,—repudiation of all of it.

HOW TO PREVENT INFLATION.

There is only one safeguard against the evils of inflation. That is the same and the only thing which can protect us against contraction, to wit, public intelligence regarding the principles of finance. No people will ever allow themselves to be misled and deeply suffer the evils of either a contraction or an inflation of their money, who fully understand one simple fact, viz.: *The average scale of prices is always a correct indication both of the amount and the value of the money in which those prices are stated.*

Whenever the principle illustrated by this fact is generally comprehended, the people will perceive what is going on, whenever a change occurs in the rate of prices on which business and contracts have been adjusted and formed. They will then at once instruct their servants that the national financial policy is faulty.

STUDY OF SOCIAL TOPICS.

The quotation from the *Century* magazine in the preface of this volume is a fair illustration of the state of mind in which a multitude of well meaning, intelligent persons are in regard to some social questions. They see that there is *something* wrong, else the present conditions would not exist ; but where the fault lies, or what it consists of, they fail to recognize.

This perplexity does not arise from inability to reason properly ; but from assuming certain fundamental premises to be true which in fact are false. Thus, the editor aforesaid reasons admirably from premises he has not examined. He says, "Money is plenty and prices low." His whole statement of the case rests on the supposition that low prices and a large amount of hoarded money are evidence that "money is plenty."

The causes which led an intelligent and conscientious gentleman to commit this error have heretofore been re-

cited. The matter is here alluded to simply because it is one of many kindred mistakes constantly being made from a precisely similar reason, viz., *Neglect to thoroughly test a foundation before beginning to build upon it.*

No one can compute how many bricks will be required to build a given wall unless he first ascertain the number of bricks in one cubic foot of that wall. The same thing is true of every other problem whatsoever, no matter to what subject it relates. The bottom facts—the fundamental principles must be accurately learned before a single safe step toward a solution of the question can be taken.

The study of finance and other economic subjects is governed by the same rules as the investigation of all other matters. Inquirers should assume themselves completely ignorant of knowledge they wish to acquire, and lay aside all prejudice and superstition. Students must "become as little children" and begin at the bottom of whatever they wish to thoroughly understand. All accurate learning is otherwise impossible.

A man should not hesitate to accept a demonstrated fact and ask: Is this in accord with what I have heretofore believed, and is it as safe? That has properly nothing whatever to do with the examination. The sole question with which every proposition should be challenged ought to be: Is this true?

Furthermore, a person should not allow himself to get befogged by anxiety in regard to the effect which knowledge of a new fact or principle will have upon society. He should have confidence enough in the Creator of all Truth to prevent fear of the consequence either of its discovery or dissemination. Otherwise, he is guilty of the presumptuous folly of imagining himself and fellows wiser and more conservative than the Infinite.

Whoever correctly understands financial principles is not, like others, bewildered by every change in the monetary situation. A person ignorant of the fundamental principles of arithmetic may be shown how to mechanically solve one arithmetical problem. But, if another

one be presented to him which differs in the least from that done without reference to principles, he is utterly unable to take a single step toward its solution. In like manner, ability to correctly interpret the various financial facts which are constantly arising depends on a clear perception of the principles involved.

CONCLUSION.

Many other topics invite discussion but the limits assigned for this book have been reached. The chief intent has been to state facts and correct principles, to stir the slimy pools of superstition, rather than to present remedial measures in detail. Its many defects and shortcomings are entrusted to the kindness of a good-natured public.

Even if this work were a perfect picture of the situation of affairs to-day, it would be imperfect to-morrow. Conditions and circumstances are incessantly changing. Principles alone remain fixed. Moreover, our knowledge of principles and consequent ability to properly apply them to a given state of facts are steadily changing.

We are not quite as helpless as chips floating in the middle of a river. We have a limited power to control our destinies. But this little can only be done by adjusting ourselves to the new conditions into which the irresistible stream of events on which we glide is constantly bringing us. Suppose the captain of a sailing vessel, when starting from New York on a voyage to Liverpool, should say: "Now, I am going to be wise and conservative. I shall put my sails and rudder just right when I start, and keep them unchanged until my destination be reached." Such management would never bring a ship across the ocean. The sails and rudder may be right on leaving New York but they will not remain so, unless steadily changed to meet the varying conditions which the ship will encounter during her passage.

In like manner, the Social Ship on which our race is embarked cannot now be properly guided by the means ade-

quate at the beginning of her journey. We have floated into different waters and are menaced by different gales. Human progress and invention have developed and created different conditions and each year widens the difference between the Present and the Past.

Justice is always justice. Equity is always equity. But the means best adapted to secure and promote justice and equity change with altered circumstances. Let us not then embrace the narrow delusion that "conservatism" consists in keeping our social sails and guiding machinery unchanged, no matter into what currents we may drift nor from what new direction a storm may threaten. Such conduct is at once shallow and unavailing. It is the favorite device of little persons posing as profound thinkers and statesmen. It will neither guide us aright nor enable us to evade consideration of the social problems slowly but incessantly arising. Cowardice is useless. Whether we wish to or not, we must bear and discharge the new responsibilities and duties which every year will surely bring us.

An unseen Being has placed us on earth and appointed the narrow bounds we cannot pass. Borne swiftly onward by forces beyond our control, wisdom bids us recognize the inexorable laws which govern us. We cannot change them if we would. Nothing is possible for us, but, in an imperfect way, to bring our conduct in harmony with them. And, when these mighty forces bring new conditions and evolve new facts, we must either conform our institutions to them or be destroyed while attempting a foolish resistance.

Many persons, anxious for distinction, and perhaps imbued with a genuine love of good works, regret that Providence did not permit them to take part in some of the great reformatory and progressive movements witnessed in the past. Such persons should reflect that, although our race has compassed great achievements, an enormous work lies before it. For aught we know, the work undone is greater than that accomplished. We are still in ignorance of a multitude of things. Our social machinery still needs reformation.

In the preface of a medical treatise, written at the beginning of this century, these words appear: "The present perfect state of medical science renders it impossible to hereafter record any further discoveries. We can only arrange what is already known."

As a man who should now practice the aforesaid "perfect state" of medicine would justly be lodged in jail for manslaughter, we smile at the conceit of this simple-minded doctor. But are we not all, more or less unconsciously, every day doing essentially what he did? Nothing is more common and more presumptuous and shallow than the assumption that Wisdom is incarnated in the present generation, and that further progress is impossible. Great wrongs remain to be righted and great dormant truths await the touch of the Reformer capable of their elucidation.

Therefore, O man of the Nineteenth Century, be not too confident that your beliefs are correct and your knowledge perfect. As if on a mountain of wisdom, you wear a complacent smirk and look with pitying contempt on the man of the Fourteenth Century. But, is it not perfectly certain that the man of the Twenty-fourth Century will mete you your own measure and will wonder how you bore an existence darkened with so much superstition and ignorance? Your palpable deficiencies and the ill devised social organizations you have constructed should teach you Humility. History should inspire emulation of the peaceful victories of your predecessors. Trust in, and love of Truth should give you an industry and patience in its pursuit that nothing can either weary or discourage, and make it easy to discard traditional errors without misgiving or fear of the result.

STEADY! FORWARD!

APPENDIX.

A REVIEW OF THE FINANCIAL PORTION OF THE FIRST MESSAGE OF PRESIDENT CLEVELAND AND THE ACCOMPANYING REPORT OF THE SECRETARY OF THE TREASURY.

THE foregoing was written prior to December 1, 1885. Since that time, the Message of President Cleveland and the Report of his Secretary of the Treasury have been published. The present administration has taken the position that its policy should be in accordance with the interests and wishes of the great moneyed capitalists, bondholders and bankers. This is evidenced by the fact that all the President's financial suggestions are applauded and approved by the newspapers which act as the spokesmen of those classes.

These documents are therefore very interesting for two reasons.

First: They are an authentic statement by the virtual attorneys of Wall Street of the beliefs and desires of the money lending and financial center of this country.

Second: It is perfectly certain that the vast moneyed interest which, to further its own aggrandizement, is intent on making gold the sole legal tender, would shrink from no expense requisite to secure the best available talent in the world to aid in the preparation of an argument in its behalf which, at public expense and with the weight of official authority, would be placed before the whole American people and largely before the civilized world. Therefore we can reasonably presume that these documents contain as good an argument in favor of demonetizing silver as can be made.

What profound and scientific principles are set forth in these official papers to prove that gold should be made our sole legal tender with free and unlimited coinage? None whatever. The arguments heretofore shown to be fallacious are merely reiterated.

What evidence is adduced to demonstrate that silver coinage is an evil? None whatever. The same report which tells us we have 215,000,000 silver dollars and that more would inflict

disaster, informs us that France has about 600,000,000 of silver dollars in circulation. The population of France is over ten millions less than the population of the United States; her wealth is less than ours; and her growth in population, commerce and wealth is vastly inferior to that of this country. Yet the authors of these State papers do not say that France is suffering by reason of too many silver dollars. But a simple calculation shows that, leaving our rapid growth of population out of the question, it would require twenty-one years of silver coinage, at the present rate, before we have as much silver in this country as circulates in France.

These documents say that silver coinage is an evil. But to whom is it an evil? Is it not evident that the few rich money lenders for whom these documents speak, regard silver coinage as an evil because it is a hindrance to gains desired by them at the expense of the rest of the community?

Both of these official addresses base and rest all their arguments and statements on one assumption: viz., that gold in some mysterious way which, singularly enough, they do not think it wise to explain, has a fixed, an unchanged and an unchangeable value. It is presumed that no matter how much the demand for gold may be increased, no matter how much its actual or relative amount may be changed, it still remains at a "fixed value." As we have heretofore dissected this idea, and found it a kindred error to the notion that the earth stands still and the sun revolves around it, further discussion of this assumption is unnecessary.

Both the Message and the Report are redolent of the prevalent delusion that the common sense business principles which we apply to all other things are inapplicable to financial affairs. The most noticeable thing about the Message is the allegation that silver coinage is the "ceaseless stream that threatens to overflow the land." This, we are informed, will produce a "severe contraction of the currency," and also produce a disastrous "rise in prices." This absurd statement arises from supposing that miraculous and special laws preside over money. The President imagines that, unlike all other scales, the scales of finance are so wonderfully and strangely constructed that a weight placed in one side will make both sides go down at once. The President fancies, when the currency is contracted and thereby inevitably made more in demand, scarcer, and more valuable, that then

people will give more of this enhanced money for a certain thing than before money rose in value. If this were so, a stoppage of silver coinage would raise prices. But the President tells us that prices will rise if silver coinage be not stopped. What a confusion of ideas !

The Message says :

"The necessity for such an addition to the silver currency of the nation as is compelled by the silver-coinage act, is negatived by the fact that up to the present time only about fifty millions of the silver dollars so coined have actually found their way into circulation, leaving more than one hundred and sixty-five millions in the possession of the Government, the custody of which has entailed a considerable expense for the construction of vaults for its deposit. Against this latter amount there are outstanding silver certificates amounting to about ninety-three millions of dollars."

If the fact of silver lying in the Treasury be evidence that silver coinage should be stopped, then it follows that gold lying idle in the Treasury is evidence that gold coinage should be stopped.

The Secretary of the Treasury says :

"The assets of the Treasury on the 1st of November, 1885, excluding fractional coin and other unavailable items, were as follows :

Gold coin and bullion	$251,359,349.29	
Less certificates outstanding	109,020,760.00	
		$142,338,589.29
Silver coin and bullion	$167,657,878.45	
Less certificates outstanding	93,146,772.00	
		$74,511,106.45."

Thus it appears that the amount of idle gold dollars is largely in excess of the idle silver dollars, and, if the President's reasoning be correct, gold coinage is unnecessary.

The Message says :

"A special effort has been made by the Secretary of the Treasury to increase the amount of our silver coin in circulation, but the fact that a large share of the limited amount thus put out has soon returned to the public Treasury in payment of duties, leads to the belief that the people do not now desire to keep it in hand."

But, according to the foregoing statement of the Secretary, the people do not desire to keep gold in hand ; and therefore gold should no longer be coined. The simple fact is that the people

generally prefer paper money to gold or silver; but this does not prove that either of those metals should be demonetized.

The Message tells us that silver dollars are "depreciated." But the only evidence adduced in support of such an idea is the fact that their bullion value is less than that of gold. The enhanced value of gold in consequence of an increased demand is not considered for a moment.

The Message next states that European governments have demonetized silver, and that "the views of these governments are in each instance supported by the weight of public opinion."

But what is meant by "public opinion" in European countries? Is it not certain that those countries are governed by the privileged and the rich; and that the masses of the people are not represented?

The President then says:

> "The condition in which our Treasury may be placed by a persistence in our present course, is a matter of concern to every patriotic citizen who does not desire his Government to pay in silver such of its obligations as should be paid in gold."

As none of the Government bonds contain an agreement to pay them in gold, this is assuming that every man who wishes the bonds paid according to their tenor is not "patriotic." The President evidently fancies that patriotism requires the robbery of taxpayers in order to pay bondholders differently from the agreement made when the money was loaned.

We are next told:

> "We have now on hand all the silver dollars necessary to supply the present needs of the people. If the need of more is at any time apparent their coinage may be renewed."

Who shall be the judge of the amount of dollars needed by the people? Shall the amount of metallic money be regulated by the production of mines and the amount of metal in existence; or, shall it be regulated by the caprice of the administration?

On this point, Prof. W. S. Jevons, an economist of world-wide reputation, says: "It might seem natural that one most important point for discussion in an Essay on Money would be the quantity of money required by a nation. Nothing would seem more desirable than to decide how much each person needs of paper, gold,

silver or bronze currency, so that the Government might take care to provide sufficient for every one.

"No one can tell how much currency a nation requires, and to attempt to regulate its quantity is the last thing which a statesman should do. We shall find that to ascertain how much money is needed by a nation is a problem involving many unknown quantities, so that a sure solution can never be obtained."

Mr. Cleveland, however, appears to think HE could tell just how many silver dollars are needed in the United States.

Scores of other authorities could be quoted to sustain the foregoing opinion of Prof. Jevons, but I will only cite the words of one other writer. "Gold and silver coins of known weight and fineness are admirably fitted to perform the functions of money. Costing labor and always in demand, they have a solid and permanent value. Their purchasing power is not crippled when the Government chooses to make others like them. There is no motive on the part of any body or any power to multiply the national coins to the extent of depreciation. Inflation, therefore, with depreciation and its attendant evils, is impossible. As much may be said of contraction. Should there be temporarily, a short supply of coin, an intenser demand would present sufficient inducements to augment the quantity. Bullion would be taken to the mint for coinage and importations stimulated. In this manner, the evil would be soon cured. Thus is the supply adjusted to the demand, and the accepted standard of value preserved by a mechanism which is self-regulating. Human beings, prompted by the love of gain, are instruments in a work too nearly connected with the great industrial concerns of a people to be committed to heads and hands less intelligent and energetic than those prompted and guided by self-interest.

"The expression, 'The supply of money should be equal to the wants of trade,' is at least intelligible provided the money referred to be specie. It means that the business of a country should have its proportion, and no more, of the circulating medium of the world; that unnatural scarcity should be met by greater abundance, and superabundance by greater scarcity; that the volume should not be changed arbitrarily or capriciously; that any new demand growing out of an enlarged industry should be relieved by an ampler supply; all for the purpose of preventing fluctuations in the standard of value, and of holding prices at their nor-

mal level. Every legitimate demand should be satisfied, but this will be done by virtue of the inevitable law which governs the movement of specie—a movement which may be embarrassed but cannot be helped by supervision or outside interference. Government, in this matter, as in some others, can do nothing but blunder. Its whole duty is discharged and its useful ability exhausted when it gives honest coins for *all the bullion offered.* It might as well attempt to control the tides as superintend the ebbing and flowing of the precious metals."

When the foregoing was written it was fully endorsed by the same men who now tamper with the coinage and seek to have the amount of metallic money controlled arbitrarily by Congress or by the Secretary of the Treasury. Why has this change of sentiment occurred? Simply because they had not then generally and fully grasped the idea that it was possible to tamper with the coinage in such way as to increase, both the value of money, and of bonds and other evidences of indebtedness. They knew the people would not submit to raising the weight of gold and silver coins, and the fact that the same result could be reached by demonetizing one of the precious metals was not then, as now, generally comprehended by the bankers and creditors. But as soon as they saw that the coinage could be tampered with, in their interest, they abandoned the doctrine that "Government should not interfere with the amount of coinage," and raised a hypocritical wail that "honesty" required legislative interference with the amount of metallic money.

In so doing they abandoned the principles on which they have stood for generations. How long will it be before they regret advocacy of a doctrine so dangerous to themselves? For it logically and inevitably follows, that if the legislature have a just right to tamper with the coinage and *increase* the value of a dollar, it has an equally good right to *diminish* the value of a dollar.

The President next informs us that there "exists a lack of confidence among the people."

We ask: Confidence in what? Is it not perfectly certain that no one fears a rise of prices? If the capitalists thought prices were soon to rise they would not hoard money, but invest in something which they expected to rise in value. The simple fact is that under our present financial policy, it is *gold* and not commodities which is rising in value. Gold is now hoarded be-

cause it is expected that the coinage of silver may be stopped and thus still further enhance its value.

If the owners of gold could be fully convinced that the coinage of silver would never be stopped, what would they do? It is certain that then, as now, they would try to increase their wealth. As soon as they saw the source of an increased demand for gold dried up they would see an end to a rise in its value and would exchange gold for things whose price they expected would rise. In other words, they would invest in real estate, machinery, buildings and various other things. No longer hoarded, gold would be thrown on the market and offered for sale. It would consequently be practically plentier,—less demand would exist for it and its value would naturally fall. This would be evidenced by a rise of wages and prices of all kinds. Better times would then reign for the masses of the people.

But, the root of the present controversy lies in this fact: viz., *When prices are falling and low, the times are better for the wealthy money lender than when wages and prices are high.* Hence the selfish interests of that class prompt them to desire low prices and hard times for the majority. Nothing is more absurd than to imagine the selfish interest of a rich money lender as identical with that of the whole community.

The Message concludes by stating, in substance, that the present depression of prices and business is due to silver coinage.

If this were true, in nations which have stopped the coinage of silver prices would be higher than in this country; such nations would be more prosperous than ourselves. But it is a notorious fact that low prices and business depression have seized different countries in the order in which they have demonetized silver. Depression of business is greater in European countries, with gold as the sole standard, than in the United States with gold, silver and greenbacks as the legal tenders. This fact is universally conceded and not in the least degree explained by any theory advanced by those who advocate our adoption of the monetary policy of Europe.

SECRETARY'S REPORT.

Let us next briefly examine the chief points in the Report of the Secretary of the Treasury. The entire Report is based upon the assumption that the value of money and the prices of com-

modities cannot be affected by legislation. But, curiously enough, the Report begins with a suggestion that two of these uninfluential laws be repealed: viz.,

"1. The act of Feb. 28, 1878, which has been construed as a permanent appropriation for perpetual Treasury purchases of at least $24,000,000 worth of silver per annum, although from causes mostly foreign that metal is now of mutable and falling value, which must be manufactured into coins of unlimited legal tender and issued to the people of the United States as equivalents of our monetary unit.

"2. The act of May 31, 1878, which indefinitely postponed fulfillment of the solemn pledge (March 18, 1869) not only of 'redemption,' but also of 'payment' of all the obligations of the United States not bearing interest, legalized as $346,000,000 paper money of unlimited legal tender, and required the post-redemption issue and re-issue of these promises to pay dollars, equivalents of our monetary unit."

If legislation have no effect, why change the laws?

This repeal, the Secretary informs us, can be made "without raising the United States monetary unit of value to a costlier dollar." This statement is the logical result of the theory that no matter how much additional demand be made for gold its value remains unchanged. If the aforesaid statement of the Secretary be true, then all the silver and all the paper money in the world could at once be destroyed without making a gold dollar "a costlier dollar." If the doctrine of the Secretary be true, the discovery of a mine from which ten thousand millions of gold could be readily taken would not lower the value of gold. This would appear true, so long as we adopt the notion that the correct way to test the value of gold is to compare one gold dollar with another gold dollar. As one potato, at the same time and place, is always worth another potato of the same size and quality, the Secretary might as well say that potatoes have "an invariable value."

Both the President and the Secretary speak of "compulsory coinage" with the evident intention of conveying the idea that the Government is under greater compulsion in regard to coining silver than in regard to coining gold.

This is clearly an unfair mode of stating the actual facts of the case. The Government by law is under compulsion to coin all the gold that may be brought to the mints for that purpose. But the Government is not under compulsion to coin a single

ounce of silver brought to the mint by bullion owners. If the Government were under such compulsion, silver coinage would have been much larger than it has been. It is required that not less than two, nor more than four millions of silver per month be bought and coined by the Government. But the matter is so stated by the Secretary and President as to mislead many persons.

The Report then states:

"The history of the monetary unit shows that from 1792 to 1873 that unit was embodied by law in either metal. The arrangement is such as is now called bimetallic."

This is true, but for obvious reasons the Secretary omits to state the important fact that *the option* of selecting the kind of metal in which obligations should be discharged has always rested with him who *paid money* and not with him who received it. During that time, all the United States bonds were authorized with reference in each bond to the legal coin in which the bond was to be paid. It is now pretended that the United States creditors have the option of directing how they shall be paid. But when these creditors originally bought the bonds they did not give the Government the right to say how payment should be made for said bonds. They paid for them in what was then the cheapest legal tender—greenbacks.

The Report next says:

"During the time when the 371.25 troy grains of fine silver continued to be a coin embodiment of the monetary unit, there was no appreciable fluctuation in its value as compared with the mass of commodities, services, and savings measured thereby. Slight variations in the gold coin, therefore, made solely for the purpose of retaining both metals in use, and for reaching a more perfect equivalence in order to retain both metals in use, are only confirmations added to proof in the uniformity (371.25) from 1792 to 1873. During the time when 23.22 grains of pure gold have been either a concurrent or the single coin embodiment of our monetary unit, there has been no demonstrable fluctuation in its value as compared with the mass of commodities, services, and savings measured thereby."

This is only another way of stating that the prices of labor and commodities, stated in gold and silver, did not appreciably fluctuate from 1792 to 1873. But whoever will look at an old file of newspapers will find great fluctuations in the average scale of wages and prices during that period computed in gold and silver coins.

Prof. Jevons has demonstrated that from 1809 to 1849, prices of commodities fell in the ratio of 245 to 100. In other words, an ounce of gold or silver bullion was worth nearly two and a half times as much in 1849 as in 1809.

Every person of mature age knows from personal recollection that prices have undergone great fluctuations during said time, no matter whether stated in gold, silver or paper money.

But as gold and silver during that time had substantially the same value, in order to state that gold has an "invariable value," it became necessary for the Secretary to claim that silver had also a fixed value up to 1873. Suppose for the sake of illustration, we assume that the Secretary be correct and that silver did actually have a fixed value from 1792 to 1873. What has occurred to disturb this fixed value and make silver "depreciate and fluctuate"? The Secretary tells us in his Report that the "annual change in the total amount of gold and silver in the world is a petty percentage,—say 1 33-100 per cent.—and is divided equally between gold and silver." Thus it is not even alleged that there has recently been any extraordinary production of silver.

It is also certain that there has been no change in the physical qualities of silver,—they are now precisely what they were a thousand years ago.

Only one change has taken place and that is the demonetization of silver. Previous to 1873, the majority of mankind imagined silver had "a fixed value" because they compared it simply with itself; or what was practically the same thing, with its fellow legal tender, gold. But the moment the legal-tender quality was removed from silver and its value measured only by the value of gold, silver appeared to fluctuate, while gold, compared only with itself, appeared to stand still.

If we test the value of silver by the true method of determining the value of any kind of money; viz., the average scale of the prices of labor and commodities, we shall find that the so-called "depreciation" of silver has kept about an even pace with the fall in other prices. This shows that since 1873, the period during which the Secretary tells us silver has begun to "fluctuate," the real value of silver has changed but little. One thousand ounces of silver bullion will to-day, on the average, buy more property than one thousand ounces of silver would buy in 1873 when silver was "at par" with gold.

The Secretary then speaks of "the impotence of any nation's legislation to affect prices." But, it is no compliment to the Secretary's intelligence, to assume that he does not know perfectly well that the legislation he asks for will lower prices, and place the control of the currency, and therefore the control of prices, more in the hands of bankers than at present.

The Secretary makes a statement to the effect that, inasmuch as the greater portion of our foreign trade is with nations using gold, therefore we need a gold currency, so that our coins can be shipped in payment of balances.

Ignorant people suppose our coins are thus shipped. But the Secretary of the Treasury should know that foreign balances are paid with bullion and not with coin. Whether we have coin of any kind in circulation or not, bullion pays the balance.

The Report lastly says:

> "The range of prices is lower to-day than since the discovery of gold in California. Man's inventions and industries are hammering down the prices of all the products of man's labor. If one New England town, by one week's labor, can shoe all the feet in Cincinnati, Chicago, and St. Louis for a year, when a year's work was too little one decade ago, how shall not the price of shoes go down? Everywhere the effort is to obtain shelter, clothing, food, and the ornaments of these necessities of life at a smaller expense of mental energy and bodily toil. The history of inventions is the record of permanent reductions of the cost of getting man's necessities. This reduced cost makes possible the enlargement of the comforts of all, a higher and higher standard of life for the poor. How shall the reduced cost not appear in dropping prices? But things on hand bought to sell fall while held. To the trading classes a fall of prices when comprised in too brief periods cannot but bring some measure of distress; when continued for too long periods, cannot but entail a general depression of trade. But when it is neither sudden nor prolonged enough to throw large numbers out of employment, the great mass of working men and women find in lower prices almost unmixed good. Wages are always at once exchanged, with some deduction for saving, and if prices are lower the same wages buy more. Even where reduced prices necessitate reduced wages (and on the whole, even in Europe, the return to labor grows more and more) the wage-receiver gets the advantage of wages being slow to move, as he gets the disadvantage of their being the last to move when from a degradation of the unit of value, or its legal equivalent, prices measured by that unit going up, the same wages buy less. To keep the unit of value stable is the true limit of legislative control over prices."

As prices are an infallible index of the value of money, the admission that prices are now lower than since 1849 is an admission that gold has risen over twenty-five per cent. in value since 1873. It is also an admission, that if the holders of United States bonds were now paid in silver dollars, according to the tenor of said bonds, they would receive more actual value than they would have received in 1873, if they had then been paid in gold dollars. Said admission is also equivalent to saying that, since 1873, gold has fluctuated in value more than silver, since there has been a greater uniformity of prices for the past twenty-five years stated in silver than stated in gold.

But the Secretary tries to make us think that said fall in prices has been caused by "man's inventions and industries" and not by a diminution of the amount of money in circulation. In so doing, he abandons the long and indisputably established principle that prices are invariably affected by either increasing or diminishing the amount of the circulating money in which those prices are stated; no matter of what materials that money be made. If the Secretary be correct, the fact that a pair of boots, in Richmond, on January 1, 1865, were worth three or four hundred dollars, did not show an increase in the currency which bought said boots, but indicated a want of "invention and industry."

Prof. Rogers, the greatest living authority on wages and prices in England, tells us that from 1450 to 1877 the average scale of prices in England rose 1200 per cent.;—that is, they were, on the average, twelve times as high in 1877 as in 1450.

In no period of English history have "man's inventions and industries" made greater progress than during the period in which this great rise of prices has occurred.

If the theory of the Secretary were correct, said fact would be reversed;—prices would have been on the average lower in 1877 than in 1450. The plain fact, known to every student of history, is that the discovery of the gold and silver mines of America poured a vast amount of the precious metals into the channels of commerce and largely raised prices throughout the civilized world.

The *New York Tribune*, a zealous supporter of the Secretary's policy, on Dec. 28, 1885, says:

"It is often said that silver is worth as much as it was in 1870. In the sense in which that phrase is ordinarily used and meant to be understood, the statement is not true, and it is no defense of it to say that

wheat, corn and other important products have declined since 1870 a little more than silver. They have declined in the main for reasons which have nothing to do with the use or disuse of silver—because of cheaper transportation, for instance, and the use of improved machinery, and the accumulation of capital and the low rate of interest.

From 1850 to 1870, transportation steadily grew "cheaper"; there was greater "use of improved machinery"; a great "accumulation of capital"; and a tendency to a "low rate of interest." During those twenty years, if the Secretary and *Tribune* be correct in their theories, prices would have steadily fallen. But, every man of mature age knows perfectly well, from personal observation, that those years were characterized by a considerable rise in the average rate of prices. Furthermore, every intelligent man knows that the events which are above enumerated as causing lower prices were in as full operation before, as since 1870. Theories which are thus contradicted by facts may amuse some persons but they have no other utility. The average price of commodities has fallen because, while the products of industry have *increased* in number and amount, the money in which the prices of those products are stated has relatively *diminished* in amount.

The Secretary's language implies belief that prices follow a mysterious "cycle," and that the value of a dollar is beyond "legislative control." But there is no greater mystery about the rise or the fall of the value of a "dollar" than there is about the value of a bushel of wheat. A diminution of the number of bushels of wheat in a country tends to increase the value of each one of those bushels. An increase of bushels tends to make them cheaper. The value of "dollars," no matter of what material they be made, depends on precisely the same principle as the value of "bushels."

Furthermore, we should remember that the value of a bushel of any kind of grain can be increased without diminishing the number of bushels of that grain in existence. Suppose the farmers of a certain country have raised a hundred million bushels of corn and a hundred million bushels of oats. If, in some way, the oats be destroyed, the corn is in greater demand to feed animals with and consequently is made more valuable. It is always the *relative* plenty or scarcity of a thing which lowers or raises its value. The value of gold and silver is governed by the same laws which regulate the value of corn and oats. Gold

was not diminished in actual amount by demonetizing silver. The fall of prices stated in gold indicates the extent to which it has been made relatively scarce by demonetizing silver.

It is true that invention enables the same amount of labor to produce more wealth than previously, and that changes are thus wrought in the *relative* prices of different things. But such alterations do not affect the average scale of wages and prices. While the advance in science, art, and mechanical skill has greatly lowered the prices of many things it has enormously raised the value of many others. For example, witness the changes in the value of real estate, timber, coal, stone, sand, water and many other things which had almost no price before invention brought them in demand by creating a new or an additional use for them. The true test of prices is found in a careful comparison of the prices of all things (including, of course, labor) bought and sold at one period of time, with the prices of all things bought and sold at another period. Such a test shows the amount of money in circulation the dominant cause of changes in the average scale of prices.

Since 1873, "invention and industry" have been no greater than during the twelve years immediately before that time. But for the twelve years which have elapsed since 1873 prices have steadily fallen. And this fall is as noticeable as anywhere else in those commodities in the production of which no marked invention has occurred. For instance, note the great fall in cotton ; pig iron, pork, wheat, cheese and other products of the soil. No increased "invention" has taken place in the mode of producing the great mass of valuable things whose price has fallen.

The Secretary, like the majority of bankers, has a great affection for "working men and women." He tells us that the fall in prices has been to those classes "almost unmixed good."

Let the Secretary test this statement by actual contact with "working men and women." Let him first visit a few individuals who form part of the millions of farmers whom the enhanced value of gold has compelled to sell the products of their toil at very low prices while their taxes and debts were unchanged. Let him next talk with the laborers in mines, forges, and factories and ask : "Are you not better off now than in good times ?"

If the Secretary be right in regard to the blessing of low prices and hard times to the laboring classes, why should he talk about

"our present troubles" as he does? If such be the case, we are not in "trouble."

Is not the talk of all rich money lenders about the "blessing to the poor of low prices" a deceitful mockery? Common observation tells us that the wages of laborers are usually cut down more than the percentage of fall in the prices of the necessaries they buy. This must necessarily be so. When prices fall, money rises in value. The creditor classes then make gains and what they gain *some one* else must lose. If wages went down only to the extent that other prices fell, the wages receiving classes would not be compelled to bear any part of the losses which some persons must incur in order to increase the value of the creditor's bonds and mortgages. It is matter of common knowledge that what are called "hard times" usually bear with more severity on those who work for daily wages and on the farmers than on any other classes. When market prices are falling, the retail dealers always endeavor to throw the consequent losses on their customers. Thus the assumption of the Secretary, that the loss from falling prices is borne entirely by the trading classes is incorrect. Those who have a fixed annual salary, like the President and the Secretary, are better off in "hard times" than in "good times." And to all persons under similar circumstances, "hard times for the majority" means good times for them.

What does the Secretary mean by saying that to "keep the unit of value stable is the true limit of legislative control over prices?" If he mean that the same specific things should always form the legal tender; that coins should always be of the same weight, fineness and material; then the act of 1873 which changed the specific things constituting the national legal tenders was an outrage which should at once be redressed by restoring the coinage to the previously established specific things as legal tenders; to wit, 23 22-100 grs. of gold or 371 1-4 grs. of silver, as one legal dollar at the option of the payer of said dollar. Both of said coins to have no coinage limit except the amount of gold or silver bullion brought by the people to the mints.

If the Secretary mean, by the words "stable value," a unit of which either the weight or the materials have been, or should be, changed in order to keep its value stable, then he means that as gold has risen in value we should at once reduce the weight of the

gold dollar for the purpose of having it of the same value it was when our Government bonds were first sold.

If the Secretary intend to convey the idea that the gold dollar is of the same value now that it was when the silver dollar had free coinage, then he intends to convey an idea that is utterly false. He might as well say that the destruction of all the bituminous coal in the world would not raise the value of anthracite coal. When the silver dollar was demonetized the gold dollar was thereby placed under different conditions; the amount of gold in the world was not thereby increased, but the use, and consequent demand for gold were largely increased. *The relative amount of gold in the world was diminished by demonetizing silver.*

Suppose the various nations which have demonetized silver had selected gold as the metal to be discarded. Would silver then have remained at the same value it had when gold was its fellow legal tender? Not at all. The amount of silver would not be increased by such legislation but the demand for silver would be enormously increased. Silver compared with itself would then be unchanged in value;—it would remain at "par." But compared with gold and all other commodities, it would have risen in value just as gold now has. This fact is virtually conceded by both the President and Secretary; otherwise all their talk about an "international" arrangement for coinage is the sheerest nonsense. If legislation have no effect on the value of gold, then it necessarily follows that international legislation in reference to coinage could not have the slightest effect on the value of either gold or silver.

If the theories of the President and Secretary be true, a unanimous agreement of all the nations in the world to coin silver at a definite ratio to gold would not in the least change the relative demand for one or other of those metals; and consequently would not alter their relative value. But the Secretary informs us that the "fixed value" which silver had prior to 1873 "was upset by Germany." If legislation have no effect on value how could German laws "upset" the value of silver? Do not such contradictions show the falsity of the Secretary's theories?

Artful sophistry may endeavor to conceal it, but the fact remains unaltered, that tampering with the coinage and currency is an insidious means of either raising or lowering prices. When prices are thus stealthily altered the crime is precisely the same as when theft is committed by lessening the weight or fineness

of coins. How low could prices and wages be reduced by those now in control of the financial policy of this country and Europe? Without changing the weight of a gold dollar, it is perfectly certain, *that if permitted by the people* the currency could be so manipulated by legislation that the price of a barrel of good flour in New York City would be only one dollar, and all other prices correspondingly low. This would necessarily involve the concentration of wealth in few hands to an extent compared with which the present disparity would appear insignificant.

All history tells a monotonous story in regard to wrong and oppression. Once fully begun, encroachments on popular rights have never ended by the voluntary acts of the spoliators. In all ages they have invariably continued until met by a force superior to their own. Human nature is unchanged. What always has been, will again occur. The only uncertain thing about the present situation is this: How much will they first endure; how much time will pass, before the masses of the people discover the actual facts, realize how they have been, and are being deceived and wronged, and assert their superior power? In the United States it is easy for them to quietly do so, by action at the ballot boxes. The needful thing is that a majority of voters should possess a sufficiently clear knowledge of principles to enable them to correctly interpret unpleasant facts relating to the political and social organization of this country.

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